

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Portage Public Schools	County Kalamazoo
Audit Date June 30, 2005	Opinion Date August 19, 2005	Date Accountant Report Submitted to State: November 3, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

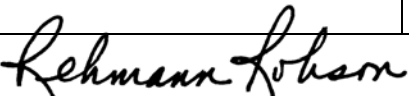
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	



Portage, Michigan

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2005



REHMANN ROBSON

Certified Public Accountants

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

Portage Public Schools
8111 S. Westnedge Avenue
Portage, Michigan 49002

**For the Fiscal Year Ended
June 30, 2005**

Peter McFarlane, Ph.D.
Superintendent of Schools

BOARD OF EDUCATION

Tom Eddy
President

Shirley Johnson
Vice President

Allan Reiff
Treasurer

Kevin Hollenbeck
Trustee

Kathy Howland
Trustee

Linda Lueth
Trustee

Jennifer Whistler
Trustee

Prepared by:

Thomas Noverr, Assistant Superintendent
for Operations
Karla Colestock, Business Manager



PORTAGE PUBLIC SCHOOLS

Shaping the Future

VISION

Portage Public Schools will shape the future by empowering every student to contribute intelligently and ethically in an information rich, global society.

MISSION

Through a partnership of school staff, students, parents, and community, all Portage Public Schools' students will become effective communicators, responsible citizens, self-directed learners, and complex thinkers.

In order to accomplish this mission:

The School Staff will

- ensure high quality innovative curriculum, research-based instruction, opportunities for practice, and measurement of student achievement, that is customized to meet all students' needs.
- ensure a safe learning environment that empowers students to be responsible, confident, independent thinkers who are able to monitor their own behaviors and performances.
- build positive relationships in a professional, ethical manner by honoring diversity, modeling life skills, and meeting the physical and emotional needs of all students.
- be technologically literate, complex thinkers in an ever-changing profession.

The Students will

- master effective communication skills.
- master the ability to monitor and assess their own performance and be responsible for expanding their physical, emotional and intellectual learning.
- demonstrate responsible citizenship through positive social interactions to various environments.
- use innovative, complex-thinking strategies to solve problems and make decisions in everyday life.

The Parents will

- provide a home environment which encourages and supports effective communication.
- model, teach and hold their children accountable for appropriate behavior.
- foster and support their children's creative thinking and actions, and help them understand the responsibility that goes along with self-direction.
- model complex thinking and provide opportunities for their children to be complex thinkers.

The Community will

- interact with students to foster effective communication and place value upon youth participation.
- build relationships with youth by supporting programs which involve students, families and community.
- support a variety of opportunities that provide youth with choices that encourage self-improvement.
- provide opportunities for youth to observe and participate in decision making.

PORTAGE PUBLIC SCHOOLS
Comprehensive Annual Financial Report

Year Ended June 30, 2005

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Comprehensive Annual Financial Report

Year Ended June 30, 2005

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FEDERAL PROGRAM AWARD INFORMATION

Issued under
separate cover

* * * * *

INTRODUCTORY SECTION



September 2, 2005

Dear Citizens and Board Members:

The Comprehensive Annual Financial Report of Portage Public Schools (the “School District”) for the fiscal year ended June 30, 2005 is hereby submitted. This report was prepared by the Business Office with assistance from the Executive Administrative Team and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School District. This is measured by the School District-wide financial activity and the activity of its various funds with all disclosures necessary to enable the reader to gain an understanding of the School District’s financial activities.

Reporting Entity and Services

Portage Public Schools is an independent reporting entity fully meeting the criteria established by the Governmental Accounting Standards Board. All funds of the School District are included in this report. The School District does not have component units.

The financial section reports separately the district-wide activities, the governmental fund types, and the fiduciary fund type administered by the Board.

Report Organization

This Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section

This section introduces the reader to Portage Public Schools and to this report. Included are facts about the School District, this transmittal letter, a list of District officials, and the School District’s organizational chart. This letter of transmittal is designed to complement the management’s discussion and analysis and should be read in conjunction with it. The management’s discussion and analysis can be found in the financial section of this document.

Financial Section

The independent auditors' report, management's discussion and analysis, district-wide financial statements, fund financial statements, and notes to the basic financial statements are included in this section. These are the School District's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of the report. In addition to the basic financial statements, this section includes required and other supplemental information.

The management, working for the Board of Education, is responsible for the financial information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information of the effects of certain events and transactions.

The basic financial statements and supplemental information presented in the financial section of this report present fairly and with full disclosure the financial position and results of the financial operation of the funds in conformity with generally accepted accounting principles and demonstrate compliance with finance-related legal and contractual provisions.

The basis for accounting for each fund is consistent with the activities and objectives of the fund as a fiscal and accounting entity.

The required and other supplemental information contains a more detailed analysis of revenues and expenditures that are compared to the 2004-2005 budget for the General Fund. In addition, there are combining schedules shown by fund type with totals that agree with those reflected in the basic financial statements section.

Statistical Section

Although this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, compare ten years of data, and are intended to reflect economic data, financial trends, and the fiscal capabilities of the School District.

About Portage Public Schools

The Community

The School District, located in southern Kalamazoo County, encompasses more than 42 square miles and lies at the mid-point between Chicago and Detroit, at the junction of I-94 and U.S. 131. It is composed of nearly all of the City of Portage and smaller portions of the City of Kalamazoo, Pavilion and Texas Townships. The School District lies entirely in the County of Kalamazoo.

Portage is in close proximity to Kalamazoo, and with its local diversified industry, provides its residents with consistent employment and a higher than average earning potential. Residents may take advantage of many recreational and cultural opportunities. In close proximity are fine museums, restaurants, and entertainment. The Kalamazoo area is a "college town" with Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College positively impacting the quality of life in the community. Michigan State University and the University of Michigan are also within approximately an hour and one half drive. More than 40 lakes and several riding stables, golf courses, tennis clubs, and ski areas serve the immediate area.

Portage is the lead manufacturing site for the Pfizer Corporation. Pfizer employs over 6,200 people in Kalamazoo County. Portage is also the world-wide headquarters for the Stryker Corporation. Stryker employs over 1,000 people in Kalamazoo County and is completing a significant expansion in Portage. Portage is also recognized as the retail center of southwest Michigan with Crossroads and Southland Malls providing a significant retail presence in the community.

The Educational Program

The Portage Public School District includes eight elementary schools (K-5), three middle schools (6-8), two high schools (9-12), an alternative community high school program that operates in the District's Community Education Center, a preschool and child daycare program that is also housed in the Community Education Center, a gifted and talented program for second through fifth grade students located in our elementary buildings with a special component for fifth grade students that is housed in our District Administrative Center, a maintenance/transportation/facilities center, and a District Administration building. Each high school site includes a gymnasium, a separate multi-purpose activity building, a performance center and auditorium, specialized facilities for all curriculum areas, a cafeteria and a comprehensive library/media center. Each middle school contains a swimming pool, a gymnasium, a complete library/media center, a performance center, specialized facilities for each curriculum area, and a cafeteria. Elementary schools also have cafeterias, playgrounds, multipurpose rooms, and library/media centers. The School District also owns three undeveloped properties, each containing between 19 and 47 acres approximately.

The Portage Public School District has a comprehensive educational program for students of all ages. This includes both an assortment of early intervention preschool programs and a wide variety of community education programs. A solid academic curriculum consisting primarily of language arts, mathematics, science, social studies, music, visual arts and physical education is offered at all grade levels. Specific programs for gifted and talented students are provided from second grade through high school. A fee-based after-school foreign language program is offered to elementary students. Both of the School District's comprehensive high schools offer the International Baccalaureate program as well as a variety of honors courses. Students who attend the School District's high schools are able to participate in an extensive grouping of county-wide academic programs. Included in these offerings are Education for the Arts (EFA) classes, Education for Employment (EFE) classes, and dual enrollment opportunities at Western Michigan University, Kalamazoo College, or Kalamazoo Valley Community College. Foreign languages and technical education programs begin at the middle school and continue through high school. The middle schools and high schools also offer a broad range of extra and co-curricular experiences, including extensive athletics and club-based programs.

Technology integration is an important component of our academic program structure. Wired and wireless connections to a robust Intranet system are safely linked through fiber optic cable to the Internet. Technology integration projects are a required part of the curriculum in elementary, middle school and high school coursework. Distance learning experiences, Novanet online courses, and the most up-to-date software and hardware are all part of technology support in each building. Recently, the technology center for the District was equipped with its own power source and with a Storage Area Network (SAN) system that will allow for the greatest level of speed and service to our students and staff while maintaining reasonable controls to protect the system. Parents and students are able to monitor academic progress in grades four through twelve through a creative Parent Internet Viewer (PIV) service that is located on the School District's web site. Student grades are available for viewing within twenty seconds of the teacher's entry. Parents also have the option for pre-programmed messages related to their student's academic achievement status. During the past year (2004-05), portable wireless computing labs were added to all buildings and to the secondary level (6-12) science departments. These labs extend the computing technology capacities for all students.

In August, 2005 the School District was informed that Standard and Poor's designated Portage Public Schools as one of 43 "outperformer" school districts in the State of Michigan. State test scores (MEAP) and the low income status of students were the variables considered in making this designation. It was found that of the 553 school districts in the State, only 43 had student test scores beyond expected levels. PPS students demonstrated this exceptional level of performance for the past two years.

As a result of the challenging pre-kindergarten through grade 12 education which is based on well-defined benchmarks and related assessments, a Portage Public Schools' graduate will be prepared to "...shape the future by contributing intelligently and ethically in an information rich, global society". Portage Public School parents actively support the District and their children through participation in PTO groups, booster clubs, site-based school development teams, specific volunteer groups or District-level committees.

The School District's community enrichment programs and services start with daycare for preschool children and after school care for school age children and continue to senior citizen participation with over 8,800 processed registrations each year. Business partnerships, job placement, enrichment classes, and assistance to non-English speaking members of our community are important components of the School District's program offerings as well. The School District's Community Education Center provides adult education and recreation experiences throughout the year. Some of the programs and services offered through the Community Education Center include the following: English as a Second Language (ESL), GED testing and preparation, leisure/hobby programs, informational seminars/classes, School District facility use, youth day camps, sport programs, technical/vocational training, on line coursework, swimming (instructional and recreational), and business training workshops.

Accomplishments

The School District is utilizing a continuous school improvement planning process and, at the high school level, coordinates this planning with the North Central Association. Annually, the Board of Education works with the administrative staff to develop District goals. These goals are used to help guide building level and administrative goals as well.

The School District's organizational goals for professional development include: State mandates, district goals, curriculum and instruction initiatives, school improvement and individual professional growth. Specifically, our organization focuses on job embedded professional development that supports these areas. In addition to the support given in these areas, all teachers are assigned a mentor teacher to assist them in their orientation into the profession. Further, instructional coaches are provided as needed within the first four years of teaching.

Professional growth is not limited to "one time" conferences and trainings. Teachers are supported to collaborate to plan alternative assessments and instructional strategies for at-risk learners. Lastly, teachers, secretaries, counselors, administrators, assistants, Board of Education members, and parents have opportunities for professional growth.

The School District has an extensive and inclusive system for curriculum review and revision. First, Portage Public Schools has a Curriculum Instruction Council (CIC) with 58 members. These members include K-12 teachers, instructional specialists, parents, Board of Education Members, and administrators. This committee is charged with reviewing all proposals and initiatives concerning district PreK-12 curriculum, instruction, instructional technology, and assessment. Recommendations from the CIC regarding proposals and initiatives proceed to the District Curriculum Office, to the Superintendent, and to the Board of Education for approval and implementation. The purpose of the CIC is to design, implement, and communicate a district-wide system that will facilitate on-going research into and development of standards, competencies, assessments, vertical/horizontal coordination, and professional development of curriculum and instruction. (Adopted 1993). In addition to this process, teacher leaders serve to coordinate and facilitate curricular change. These teacher leaders represent each grade level and department in the District. As a part of this process, a Board Curriculum and Accreditation Committee was formed in 1995 to facilitate communication about curriculum and instruction with the full Board and the community.

In 2003, a K-12 cyclical process for curriculum review was adopted by the Board of Education. This process involves an 18-24 month review and revision process that results in a recommendation to the Curriculum Instruction Council. The process involves a K-12 approach to curriculum review and revision and includes K-12 teachers, administrators, parents, community members, university personnel, instructional specialists, and students. As a part of this process, participants complete research, curriculum revision, assessment development, and recommendations for instructional supports. Over the past 10 years, core curriculums with accompanying internal assessments have been developed for all core areas (i.e. Math, Science, Language Arts, Social Studies, and Foreign Language). In addition, curriculum has been written for all elective courses K-8. As a part of this development, K-12 Physical Education, Fine Arts, Business, and Human Growth and Development curricula have been written. All written curricula have been fully implemented.

The School District has recently redesigned its teacher evaluation system to align with current research on best instructional practices. The system includes specific statements of expectations for performance and allows creative alternatives to former classroom observation models.

As a result of the 2002 bond issue, music instruments have been upgraded, technology systems have been improved and all computers, printers and other ancillary technology equipment has been exchanged and upgraded. Floor tile, ceilings and lighting fixtures have been replaced. Cabinetry and storage areas have been replaced and bleacher seating in the secondary schools has been replaced or upgraded. The two high school auditoriums have been completely renovated and athletic fields have seen improvements as well. Building beautification projects and the extensive renovations are changing the face of the School District. The summer of 2005 represents the final year of planned expenditures from the 2002 bond issue.

District Planning Process

Recently the School District adopted a new planning process called Strategic Management. This process is well suited to educational environments, which have become increasingly unpredictable. Strategic Management is particularly powerful as a catalyst for innovation within the School District. Utilizing the Strategic Management process, specific strategic issues are identified as opportunities to move closer to our vision and are the focus of detailed strategy formulation.

The District's strategic framework consists of its vision of the future and its mission, and gives our Strategic Management process direction and purpose. Our vision and mission were revised in 2001 to better reflect our desired future.

This new process is similar to our past planning practices in that its success depends upon the involvement of our community. Over one hundred members of our school community make up the Strategic Planning Team including members from the instructional and support staffs, administration, Board of Education, students, parents, and local representation from local government, business and industry, and other community members. The team assists the District in researching future trends, analyzing the District's current status, examining and evaluating work that has been accomplished and confirming the direction for the future.

Strategic Management is an ongoing process that pays as much attention to managing the implementation of a strategic initiative, as to the annual identification of new issues and formulation of new change initiatives.

Economic Outlook

As the School District completes its eleventh year under Proposal A, approved by Michigan voters in 1994, it has become apparent, especially in the last few years, that School District revenues will not keep pace with inflation, nor with School District expenditures as we know them. On the revenue side, Proposal A substantially shifted funding responsibility from the local level to the State level and from property tax as the major revenue source. On the expenditure side, Proposal A shifted the funding responsibility for public school retirement to local school Districts. Now the School District is dependent upon the State legislature for not only the majority of its funds, but also its funding level. In addition, significant increases to costs, especially health insurance and retirement, result in additional budget pressures.

In May, 2005 a 1.50 county wide enhancement millage for three years, beginning with the 2005/06 school year, was narrowly passed by a majority of voters in the county. This successful millage represents the first enhancement millage approved in the State of Michigan for operational purposes since Proposal A was enacted. Of special note, Portage voters overwhelmingly approved this millage by a 70% to 30% margin. Had this level of support not been present in Portage, the county wide millage would have failed. This relatively short term millage is intended to provide local support for schools until the State of Michigan responds to school funding issues across the State.

Historically the School District has done an excellent job of maintaining our fund balance in a narrow range of between seven and ten percent of the following year's expenditure budget. While the School District is financially stable at the present time, the future requires that the School District develop a long-term set of strategies to ensure it is able to maintain a balanced budget in the future. The Board of Education has set a minimum fund balance of eight percent as one of their goals for the end of the 2005/06 school year.

Financial Information - Accounting Controls

Management is responsible for establishing and maintaining an internal control structure. This structure is designed to ensure that the assets of the School District are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The School District maintains budgetary controls to ensure that budgets are in compliance with legal provisions of the State of Michigan Uniform Budgeting and Accounting Act and with the annual appropriation budget adopted by the Board of Education. Formal budgetary integration is employed as a management control device throughout the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. Under the guidelines of the State of Michigan's School Accounting Manual (Bulletin 1022), detailed line-item budget information is provided and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. The controls are integrated into the School District's computerized accounting system, which prohibits expenditures exceeding appropriations. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year. The budget is amended at least three times during the year to appropriately address variances that occur in enrollment, revenue, and expenditures.

Management believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner. As demonstrated by the statements and schedules included in the financial section of this report, the School District continues to meet its responsibility for sound financial management.

Financial Condition at June 30, 2005

Please refer to the Management's Discussion and Analysis section for a summary of the financial condition of the School District at June 30, 2005.

Capital Projects Funding

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition, construction, or major renovation of facilities.

Federal Funding

As a recipient of federal, State, and county financial assistance, the School District is responsible for ensuring that an adequate internal and administrative control structure is in place to document compliance with applicable laws and regulations related to those programs. Tests are made by the School District's auditors to determine the adequacy of the internal and administrative control structure.

Cash Management

The School District's cash management and investment policy is to maximize return on temporarily idle cash by investing in quality certificates of deposit, pooled investment accounts, and prime commercial paper rated one or two by more than one rating service. The average yield on investments for all funds held at June 30, 2005 was approximately 2.8 percent. Total School District investment income was \$409,741 for the year. These revenues are considered important sources of funding for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Risk Management

The School District's management is charged with the responsibility of supervising the protection of the School District's assets by employing various risk management techniques and procedures to reduce, absorb, or transfer risk. The School District carries insurance for general liability and automobile liability. School District property is insured for its replacement value. Management is also responsible for directing the School District's fringe benefits program, which includes the administration of health, life, and other benefits for all full-time and some part-time employees as well as a self-funded insurance plan for workers' compensation claims. The School District is in compliance with the *Right to Know* legislation, including preparation of a Hazard Communication Manual, establishment of directories for all Material Safety Data Sheets, employee training, and the use of labels on all hazardous materials used by the School District.

Independent Audit

The State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was appointed by the Portage Public Schools Board of Education to perform this service for the 2004-2005 fiscal year. In addition, the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, requires governmental recipients of federal assistance to have organization-wide financial and compliance audits on an annual basis. Both of these requirements have been met, and the auditor's report on the financial statements is included herein.

Other Information

Enrollment

In general the School District's enrollment has remained steady over the last few years. The District has experienced pockets of growth through new home construction that has impacted certain facilities that have these areas in their attendance boundaries. At the same time, other buildings have experienced decreased enrollment and thus have some capacity for additional students. A five-year projection of enrollment is done annually using data from the county, city, and the School District. Such information as live births, building permits, cohort survival ratios, and workforce/economic statistics are used in the enrollment projections. Historically, this method has proven to be accurate, within a reasonable variance, for our planning purposes. The official enrollment for 2004-05 was 9,048 students. Enrollment projections continue to indicate steady enrollment over the next five years.

Certificate of Excellence

This report has been prepared following the guidelines recommended by the Association of School Business Officials (ASBO). The ASBO awarded a Certificate of Excellence in Financial Reporting to the Portage Public School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Excellence, the School District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

Certificate of Achievement

This report has also been prepared following the guidelines recommended by the Government Finance Officers Association (GFOA). The School District is applying for a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the year ended June 30, 2005. In order to be awarded a Certificate of Achievement for Excellence, a governmental unit must publish a Comprehensive Annual Financial Report, whose contents conform to program standards.

A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report will meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and look forward to GFOA's consideration of this prestigious award.

Acknowledgements

The preparation of this report was accomplished through the commitment and dedication of the entire Business Office staff. We would also like to express our appreciation to other departmental individuals who assisted in the preparation of this report.

This School District is highly committed to a program of excellence. A highly dedicated Board of Education has adopted sound policies that facilitate the continued growth and improvement of the total school program. In addition, there is a wide, all-encompassing array of support provided by parents, students, employees, citizens, civic organizations, and hundreds of volunteers that enables the School District to achieve high goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom G. Noverr". The signature is fluid and cursive, with a large initial "T" and "G".

Thomas G. Noverr, CPA
Assistant Superintendent for Operations

A handwritten signature in black ink, appearing to read "Peter McFarlane". The signature is cursive, with a large initial "P" and "M".

Peter McFarlane, Ph.D.
Superintendent of Schools

Portage Public Schools District Officials

2004-05 Board of Education



Left to right seated: **Shirley Johnson** (Board Vice-President, Elected 2001, Term Expires 2009); **Tom Eddy** (Board President, Elected 1996, Term Expires 2008); **Allan Reiff** (Board Treasurer, Elected 2000, Term Expires 2006).

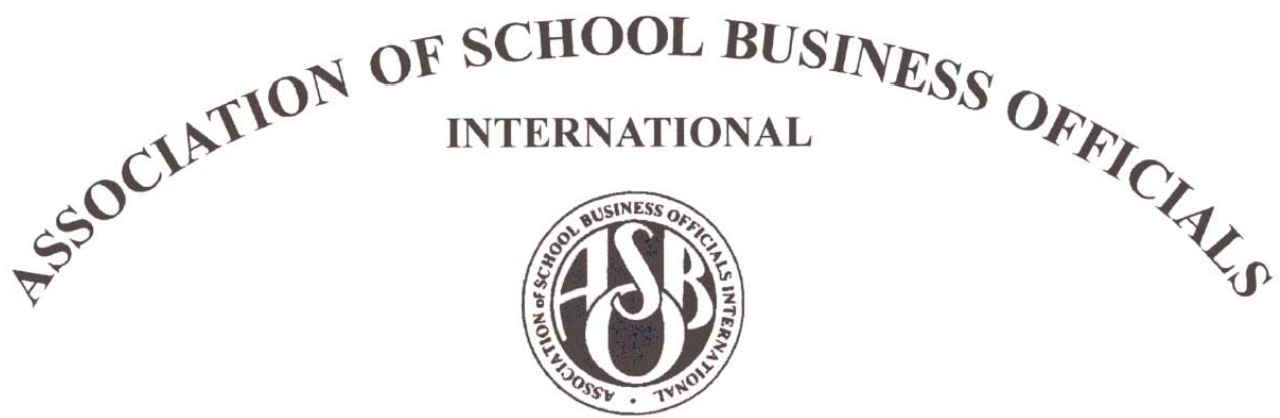
Left to right standing: Kathy Howland (Trustee, Appointed 2004, Term Expires 2007); Jennifer Whistler (Trustee, Elected 2004, Term Expires 2008); **Kevin Hollenbeck** (Trustee, Elected 1994, Term Expires 2006); **Linda Lueth** (Trustee, Appointed 2002, Term Expires 2007).

Central Administration

Dr. Peter McFarlane, Superintendent
Michael Batterson, Technology Systems Director
Denise Bresson, Director of Curriculum and Professional Development
Mary Meagher, Director of Special Education
Thomas Noverr, Assistant Superintendent for Operations
Ric Perry, Assistant Superintendent for Instructional Services
Thomas Vance, Community Relations Manager
Daniel Vomastek, Assessment and Student Information Director

The organizational chart for the Board/ Superintendent Team is structured as follows:

- Board/ Superintendent Team** (Central Hub)
 - Assistant Superintendent for Operations**
 - Human Resources Manager
 - Administrative Assistant
 - Food Group Manager
 - Business Manager
 - Purchasing
 - Accounting (3)
 - Payroll
 - Transportation Manager
 - Facilities Manager
 - Custodial/ Maintenance Supervisor
 - Assistant Superintendent for Instructional Services**
 - Director of Special Education
 - Special Education/ At Risk Supervisor (1)
 - Assistant Director for Special Ed and Strategic Planning Coordinator (1)
 - Instructional Services Coordinator (1)
 - EFE Administrator (1)
 - Community High Administrator (1)
 - Early Childhood Supervisor
 - High School Administrators (8.0)
 - Middle School Administrators (6.0)
 - Elementary Administrators (8.0)
 - Other Key Roles**
 - Technology Systems Director
 - Assessment and Student Information Director
 - Director of Curriculum and Professional Development
 - Community Relations Manager
 - Information Systems Manager
 - Network Manager (2)



This Certificate of Excellence in Financial Reporting is presented to

PORTAGE PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program


President


Executive Director

FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

August 19, 2005

Board of Education
Portage Public Schools
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Portage Public Schools**, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of **Portage Public Schools'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of **Portage Public Schools** as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, on our consideration of **Portage Public Schools'** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portage Public Schools' basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of the Portage Public School's comprehensive annual financial report presents our discussion and analysis of the School District's financial performance for the fiscal years ended June 30, 2005 and 2004. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of basic financial statements and notes to those basic financial statements. These statements are organized so the reader can understand Portage Public Schools financially as a whole. The ***District-wide Financial Statements*** provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund for the year ended June 30, 2005, the General Fund, with all other funds presented in one column as nonmajor governmental funds. The fund financial statement section also includes the General Fund budget and actual comparison statement. The remaining statement, the ***Statement of Fiduciary Assets and Liabilities***, presents financial information about activities for which the School District acts solely as an agent for the benefit of student groups. The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by supplementary information that further explains and supports the basic financial statements. The following figure shows how the various parts of this comprehensive annual financial report are arranged and related to one another:

Management's Discussion and Analysis (MD & A) ***(Required Supplemental Information)***

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Supplementary Information

Statistical Section

Reporting the School District as a Whole - District-wide Financial Statements

The ***Statement of Net Assets*** and the ***Statement of Activities***, which appear first in the School District's basic financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The Statement of Net Assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial position is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as changes in the School District's property tax base, the quality of the education provided, and the condition of the school buildings and other facilities to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community service, athletics, food service, and bookstore. Property taxes, unrestricted State aid (foundation grant allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Food Service, Athletic, and Bookstore Special Revenue Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation included in the basic financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the School District as a Whole

TABLE 1

**Summary of Net Assets
June 30, 2005 and 2004**

		<u>Governmental Activities</u>	
		<u>2005</u>	<u>2004</u>
Assets			
Current and other assets		\$18,039,443	\$22,528,802
Capital assets, net of accumulated depreciation		<u>42,768,442</u>	<u>38,978,510</u>
Total Assets		<u>60,807,885</u>	<u>61,507,312</u>
Liabilities			
Current liabilities		8,774,149	9,048,693
Long-term liabilities		<u>36,800,954</u>	<u>40,659,336</u>
Total Liabilities		<u>45,575,103</u>	<u>49,708,029</u>
Net Assets			
Investment in capital assets – net of related debt		7,631,831	3,673,429
Restricted		1,327,040	1,616,269
Unrestricted		<u>6,273,911</u>	<u>6,509,585</u>
Total Net Assets		<u>\$15,232,782</u>	<u>\$11,799,283</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$15,232,782 and \$11,799,283 at June 30, 2005 and 2004, respectively. The amount invested in capital assets-net of related debt, totaling \$7,631,831, compares the original cost, less accumulated depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. This includes \$729,776 for debt service and \$597,264 for construction projects. The remaining amount of net assets, \$6,273,911, is unrestricted.

Unrestricted net assets of governmental activities represent the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities (see Table 2 on page 6), which shows the changes in net assets for fiscal years ended June 30, 2005 and 2004.

TABLE 2

**Condensed Statement of Activities
Years Ended June 30, 2005 and 2004**

		Governmental Activities	
		2005	2004
Revenues			
Program Revenue:			
Charges for services	\$ 4,744,408	\$ 4,119,006	
Operating grants and contributions	3,701,677	3,179,395	
General Revenue:			
Property taxes	26,266,615	25,092,065	
Unrestricted state aid	44,241,772	45,222,735	
Investment earnings	345,963	227,189	
Other	<u>27,645</u>	<u>97,777</u>	
Total Revenues	<u>79,328,080</u>	<u>77,938,167</u>	
Functions/Program Expenses			
Instruction	41,626,329	40,969,953	
Supporting services	25,875,805	24,947,520	
Community service	1,770,866	1,658,295	
Athletics	1,440,323	1,464,972	
Bookstore	42,578	44,239	
Food service	2,196,763	2,072,293	
Interest on long-term debt	2,154,940	2,312,053	
Depreciation (unallocated)	<u>786,977</u>	<u>814,932</u>	
Total Expenses	<u>75,894,581</u>	<u>74,284,257</u>	
Increase in Net Assets	3,433,499	3,653,910	
Beginning Net Assets, as restated	<u>11,799,283</u>	<u>8,145,373</u>	
Ending Net Assets	<u>\$15,232,782</u>	<u>\$11,799,283</u>	

As reported in the condensed statement of activities, the cost of all of our governmental activities this year was \$75,894,581. Certain activities were partially funded from charges for services from those who benefited from the programs (\$4,744,408) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,701,677). We paid for the remaining “public benefit” portion of our governmental activities with \$26,266,615 in taxes, \$44,241,772 in unrestricted State aid, unrestricted investment earnings of \$345,963, and other miscellaneous revenues.

The School District experienced an increase in net assets of \$3,433,499. Key reasons for the change in net assets included capitalizable expenditures from the General Fund, the 2002 Construction Fund, and the Building and Site Sinking Fund, and the repayment of bond principal. The increase in net assets differs from the change in fund balance, and a reconciliation is included in the basic financial statements.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District’s taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may give more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$9,549,864, which is a decrease of \$4,136,579 from last year. The primary reason for the decrease is the construction costs of \$5,844,000 incurred in the 2002 Construction Fund and the Building and Site Sinking Fund.

In the General Fund, our principal operating fund, the fund balance increased approximately \$110,000 to \$6,638,551. The School District budgeted a decrease of \$559,000. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds remained stable from the prior year, showing a net decrease of approximately \$52,000.

Combined, the Debt Service Funds showed an increase in fund balance of approximately \$266,000. The School District levied 2.2 mills on all property, and this rate was unchanged from the prior year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Fund (Building and Site Sinking Fund) fund balance decreased by approximately \$733,000. The Building and Site Sinking Fund levied 1.5 mills on all property to make improvements to the School District's facilities and property. In accordance with the provisions of the 2001 bond issue, the Building and Site Sinking Fund also transferred \$1,664,000 to the 2001 Debt Service Fund for the final payment of principal and interest on those outstanding bonds.

As projects continued in 2004-05 in the 2002 Construction Fund, the available fund balance decreased by approximately \$3,700,000. The School District continued to spend the bond proceeds and interest earnings to make major improvements to the School District's facilities and property, and to purchase computers and other equipment.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the School District amends its budget three times during the school year as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided as part of the basic financial statements. Changes to the General Fund original budget were as follows:

General Fund Revenues and Other Financing Sources

The General Fund Budget for revenues and other financing sources was increased by 1.1% for the year ended June 30, 2005.

Total Revenues and Other Financing Sources Final Budget	\$69,555,003
Total Revenues and Other Financing Sources Original Budget	<u>68,781,186</u>
Increase in Budgeted Revenues and Other Financing Sources	<u>\$ 773,817</u>

The School District's actual general fund revenues and other financing sources were less than the final budget by \$18,325, a variance of .02%.

Some of the significant revised budget adjustments for revenue for the year include:

- Property tax revenue increased \$866,000, while our State aid foundation grant allowance decreased \$829,000.
- Increase in interest income earnings of \$60,000.
- Increase in federal grant revenues of \$230,000 from new programs and adjustments to awards in existing programs
- Increase in State categorical revenues of \$212,000 from adjustments to awards in existing programs
- Increase in Childcare fees of \$77,000 due primarily to opening an additional site at Waylee Elementary School.

General Fund Expenditures and Other Financing Uses

The School District's budget for expenditures and other financing uses increased by .6% for the year ended June 30, 2005.

Total Expenditures and Other Financing Uses Final Budget	\$70,114,430
Total Expenditures and Other Financing Uses Original Budget	<u>69,696,038</u>
Increase in Expenditure and Other Financing Uses Budget	<u>\$ 418,392</u>

The School District's actual General Fund expenditures were less than the revised budget by \$687,329, a variance of .98%.

Some of the significant revised budget adjustments for expenditures for the year include:

- Net decrease in salary and all fringe benefits for all employee groups of \$963,000 based on actual staffing and negotiated contracts. The School District also increased its usage of contracted substitute teachers, administrators, and childcare employees during the year, saving mostly on fringe benefit costs.
- Increase in estimate for utility costs of \$275,000
- Increase in supply and purchased services estimates of \$759,000, primarily in fuel, substitute costs, contracted employee costs, maintenance costs, and transfers from our designated fund balance for building supply costs.

- Increased federal expenditures of \$230,000 based on increased awards and new programs. These were primarily salary and fringe benefit costs.

Although the School District's final budget for the General Fund anticipated that expenditures would exceed revenues by approximately \$559,000, the actual results for the year show a surplus of approximately \$110,000.

Some of the significant variations between budgeted and actual results for revenues and expenditures are described below:

- Actual revenues were \$42,000 less than expected. This is due largely to less federal and state grant revenues received as a result of timing on grant spending. These decreases were offset by higher than expected childcare fees, interest income, and property tax revenue recognized due to a large delinquent personal property tax payment received subsequent to year-end.
- Actual expenditures were \$627,000 less than budget, due primarily to \$103,000 savings in salary and fringe benefit costs. Additional savings of \$524,000 were realized in utility, contracted substitute, purchased service, and supply expenditures.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005 and 2004, the School District's investment in capital assets for its governmental activities was \$42,768,442 and \$38,978,510 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, furniture and equipment, transportation and maintenance vehicles, assets not yet placed in service, and construction in progress. The amount represents a net increase (including additions, deductions, and depreciation) of approximately \$3,790,000, or 9.7 percent, over last year.

Capital Assets June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Land	\$ 768,810	\$ 768,810
Land improvements	3,091,121	2,738,202
Buildings and improvements	57,052,954	54,136,747
Furniture and equipment	12,427,880	11,772,329
Busses and other vehicles	4,161,180	4,114,852
Assets not yet placed in service	442,900	-
Construction in progress	309,735	261,506
Total Capital Assets	78,254,580	73,792,446
Less accumulated depreciation	35,486,138	34,813,936
Net Capital Assets	<u>\$42,768,442</u>	<u>\$38,978,510</u>

This is an increase in net capital assets of \$3,789,932 (cost of new additions, less net book value of deletions, less depreciation expense for the year) over the prior year and includes the following capital asset events during 2004-05:

- A new bus costing approximately \$66,000 was purchased. (See a description of the financing obtained in the Debt section below.)
- Computers, mobile wireless labs, and other related equipment were purchased totaling approximately \$2,369,000.
- Musical instruments for all instructional levels were purchased for approximately \$103,000.
- Building renovations, unit ventilators, casework, windows, bleachers, flooring and other projects were completed in several buildings at a cost of approximately \$1,700,000.
- Lighting retrofits were completed in nearly all of our buildings at a cost of \$1,831,000 to generate energy savings for the School District in the future.
- The Food Service Fund completed its purchase of a point of sale system for the elementary buildings and purchased other equipment at a total cost of \$119,000.

Depreciation expense for the year is \$2,140,221. Some capital projects are planned for the 2005-06 fiscal year funded out of the 2002 Construction Fund and the Building and Site Sinking Fund. We present more detailed information on our capital assets in the notes to the basic financial statements.

Long-Term Debt

At June 30, 2005 and 2004, the School District's outstanding debt can be summarized as follows:

	<u>2005</u>	<u>2004</u>
General long-term obligation bonds	\$35,168,208	\$38,802,238
Installment purchase contracts	1,148,798	1,410,056
Compensated absences	342,819	317,356
Obligation under Pay for Performance plan	124,114	110,547
Unamortized bond premium	<u>17,015</u>	<u>19,139</u>
Total	<u>\$36,800,954</u>	<u>\$40,659,336</u>

During the 2004-05 fiscal year, the School District's total debt decreased by \$3,858,382 (9.5 percent). The School District issued \$66,410 in an installment purchase contract for the purchase of a bus. Other long-term obligations include employee compensated absences for vacation pay and the obligation under the pay for performance plan for administrators. During the year ended June 30, 2005, principal payments of \$3,961,698 were made on the outstanding debt. The School District's General Obligation Bond rating continues to be "AA-" from Standard and Poor's Rating Services and "A1" from Moody's Investor Services. Additional detailed information regarding long-term debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2005-06 fiscal year budget. Two of the major factors affecting the budget are the student enrollment and the State funding of the foundation grant allowance.

Each year, the School District has enrollment projections prepared. Due to the continued uncertainty of the net number of jobs that would be impacted by the Pfizer, Inc. restructure and student demographics, the School District budgeted for a net loss of 100 students for 2005-06.

As stated earlier in this report, the State foundation grant revenue is determined by multiplying the blended student count by the foundation grant allowance per pupil. As a State aid bill had not been finalized by the time the Board of Education adopted the budget in June, 2005, the School District's Board of Education adopted a budget with a 25/75% blend of the February, 2005 and estimated September, 2005 student counts. We used a \$6,850 foundation grant, which was an increase of \$150 over the foundation grant amount of \$6,700 in the 2004-05 fiscal year. A State aid bill with a 25/75% membership blend and a \$6,875 foundation grant was passed by the Legislature in September, 2005 and has been presented to the Governor. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent upon State funding and the health of the State's School Aid Fund, the actual funding received depends on the State's ability to collect revenues to fund its appropriations to school districts.

Based on early enrollment data at the start of the 2005-06 school year, we anticipate that the fall student count will be higher than the estimates used in creating the budget.

In 2005, the School District settled labor contracts with the teachers and teamsters unions. The secretaries, bus drivers, and food service contracts are pending negotiations.

Budget reductions were made in various areas both in fiscal 2005 and 2006 in anticipation of financial constraints from the local and State economy. In May, 2005 a 1.5 county wide enhancement millage was passed by the voters in Kalamazoo County. This millage is for three years and begins with the 2005-06 school year. It is intended to provide approximately \$2,600,000 of local support for the School District. As enrollment numbers and state funding are finalized, the School District will amend its budget to respond to these constraints.

In conjunction with the enhancement millage, our Building and Site Sinking Fund millage is being decreased by 1 mill for the 2005-06 year. This mill previously generated property tax revenues over the past three years which were transferred to the 2001 Debt Service Fund to repay that bond issue.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office at Portage Public Schools, 8111 S. Westnedge Avenue, Portage, Michigan 49002.

Basic Financial Statements

District-wide Financial Statements

PORTAGE PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2005

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents	\$ 594,144
Investments	7,677,135
Receivables	9,589,604
Inventories and prepaid items	178,560
Capital assets:	
Land and construction in progress	1,521,445
Other capital assets, net of accumulated depreciation	41,246,997
	<hr/>
Total assets	60,807,885
	<hr/>
Liabilities	
Accounts payable and accrued liabilities	8,347,622
Unearned revenue	426,527
Long-term debt:	
Due within one year	2,837,654
Due in more than one year	33,963,300
	<hr/>
Total liabilities	45,575,103
	<hr/>
Net assets	
Invested in capital assets, net of related debt	7,631,831
Restricted for:	
Debt service	729,776
Other purposes	597,264
Unrestricted	6,273,911
	<hr/>
Total net assets	\$ 15,232,782
	<hr/> <hr/>

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges</u>	<u>Operating</u>	<u>Activities</u>
		<u>for Services</u>	<u>Grants and</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes</u>
				<u>in Net Assets</u>
Governmental activities:				
Instruction	\$ 41,626,329	\$ 570,716	\$ 2,050,007	\$ (39,005,606)
Supporting services	25,875,805	298,253	838,586	(24,738,966)
Community service	1,770,866	1,976,416	-	205,550
Athletics	1,440,323	251,420	-	(1,188,903)
Bookstore	42,578	42,578	-	-
Food service	2,196,763	1,605,025	749,306	157,568
Interest on long-term debt	2,154,940	-	63,778	(2,091,162)
Unallocated depreciation	786,977	-	-	(786,977)
Total	<u>\$ 75,894,581</u>	<u>\$ 4,744,408</u>	<u>\$ 3,701,677</u>	<u>(67,448,496)</u>
General revenues:				
Property taxes, levied for general operations				19,050,637
Property taxes, levied for debt service and capital projects funds				7,215,978
Unrestricted state aid				44,241,772
Grants and contributions not restricted to specific programs				35,492
Unrestricted investment earnings				345,963
Loss on sale of capital assets				(7,847)
Total general revenues				<u>70,881,995</u>
Change in net assets				3,433,499
Net assets, beginning of year				<u>11,799,283</u>
Net assets, end of year				<u>\$ 15,232,782</u>

The accompanying notes are an integral part of these basic financial statements.

Fund Financial Statements

PORTAGE PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2005

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 245,067	\$ 349,077	\$ 594,144
Investments	5,314,812	2,362,323	7,677,135
Accounts receivable	201,962	124,452	326,414
Taxes receivable	472,548	210,542	683,090
Due from other governments	8,550,564	13,456	8,564,020
Due from other funds	-	145,032	145,032
Inventory	29,867	30,590	60,457
Prepays	118,103	-	118,103
Notes receivable	-	16,080	16,080
	<u>-</u>	<u>16,080</u>	<u>16,080</u>
TOTAL ASSETS	<u>\$ 14,932,923</u>	<u>\$ 3,251,552</u>	<u>\$ 18,184,475</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 441,812	\$ 260,197	\$ 702,009
Salaries and withholdings payable	4,788,437	17,335	4,805,772
Accrued liabilities	2,394,353	19,931	2,414,284
Due to other governments	38,694	-	38,694
Due to other funds	145,032	-	145,032
Deferred revenue	486,044	42,776	528,820
	<u>486,044</u>	<u>42,776</u>	<u>528,820</u>
Total liabilities	<u>8,294,372</u>	<u>340,239</u>	<u>8,634,611</u>
Fund balances			
Reserved for:			
Inventory	29,867	30,590	60,457
Prepays	118,103	-	118,103
Unreserved:			
Designated	1,184,392	-	1,184,392
Designated, reported in nonmajor:			
Special revenue funds	-	103,469	103,469
Undesignated	5,306,189	-	5,306,189
Unreserved, reported in nonmajor:			
Special revenue funds	-	447,441	447,441
Debt service funds	-	1,133,652	1,133,652
Capital project funds	-	1,196,161	1,196,161
	<u>-</u>	<u>1,196,161</u>	<u>1,196,161</u>
Total fund balances	<u>6,638,551</u>	<u>2,911,313</u>	<u>9,549,864</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,932,923</u>	<u>\$ 3,251,552</u>	<u>\$ 18,184,475</u>

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2005

Fund balances - total governmental funds	\$ 9,549,864
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets not being depreciated	1,521,445
Add: capital assets being depreciated	76,733,135
Deduct: accumulated depreciation	(35,486,138)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	102,293
------------------------------	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(36,317,008)
Deduct: accrued interest on bonds payable	(386,863)
Deduct: compensated absences	(466,933)
Deduct: unamortized bond premiums	(17,013)

Net assets of governmental activities	<u>\$ 15,232,782</u>
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The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 22,288,996	\$ 9,308,818	\$ 31,597,814
State sources	46,016,677	104,157	46,120,834
Federal sources	1,069,101	645,147	1,714,248
	<hr/>	<hr/>	<hr/>
Total revenues	69,374,774	10,058,122	79,432,896
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
Instruction	41,251,848	-	41,251,848
Supporting services	24,948,939	-	24,948,939
Community service	1,769,309	-	1,769,309
Athletics	-	1,357,237	1,357,237
Bookstore	-	42,578	42,578
Food service	-	2,295,092	2,295,092
Debt service:			
Principal	320,528	3,641,168	3,961,696
Interest	56,128	2,112,799	2,168,927
Other	-	10,963	10,963
Capital outlay	-	5,840,356	5,840,356
	<hr/>	<hr/>	<hr/>
Total expenditures	68,346,752	15,300,193	83,646,945
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	1,028,022	(5,242,071)	(4,214,049)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Issuance of long-term debt	66,410	-	66,410
Proceeds from the sale of capital assets	8,910	2,150	11,060
Transfers in	86,584	2,744,017	2,830,601
Transfers out	(1,080,349)	(1,750,252)	(2,830,601)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(918,445)	995,915	77,470
	<hr/>	<hr/>	<hr/>
Net change in fund balances	109,577	(4,246,156)	(4,136,579)
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	6,528,974	7,157,469	13,686,443
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u><u>\$ 6,638,551</u></u>	<u><u>\$ 2,911,313</u></u>	<u><u>\$ 9,549,864</u></u>

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$	(4,136,579)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		5,949,060
Subtract: depreciation expense		(2,140,221)

Governmental funds report proceeds from the sale of capital assets as an other financing source. However, in the statement of activities, the difference between the sales proceeds and the net book value of the capital assets sold are reported as a gain or loss on disposal.

Subtract: proceeds from the sale of capital assets		(11,060)
Subtract: loss on disposal of capital assets		(7,847)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: change in deferred property taxes		(92,949)
Subtract: payments received on long-term receivables		(4,020)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities		3,961,696
Subtract: proceeds from issuance of long-term liabilities		(66,410)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: increase in accrued interest payable on bonds		18,733
Add: amortization of bond premiums		2,126
Add: increase in the accrual for compensated absences		(39,030)

Change in net assets of governmental activities	\$	3,433,499
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The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2005

	Budget			Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 20,910,982	\$ 22,142,779	\$ 22,288,996	\$ 146,217
State sources	46,741,569	46,076,662	46,016,677	(59,985)
Federal sources	976,225	1,197,754	1,069,101	(128,653)
Total revenues	68,628,776	69,417,195	69,374,774	(42,421)
Expenditures				
Instruction				
Basic program	35,511,175	35,147,124	35,075,806	(71,318)
Added needs	6,068,967	5,796,108	5,697,774	(98,334)
Adult and continuing education	399,877	425,830	426,521	691
Payments to other districts	50,106	51,747	51,747	-
Total instruction	42,030,125	41,420,809	41,251,848	(168,961)
Supporting services				
Pupil	4,024,848	4,067,501	4,013,876	(53,625)
Instructional staff	3,574,544	3,769,226	3,667,700	(101,526)
General administration	1,400,587	1,469,942	1,496,010	26,068
School administration	4,020,971	4,081,955	4,094,474	12,519
Business	703,115	757,065	732,833	(24,232)
Operations and maintenance	6,652,164	6,911,660	6,654,227	(257,433)
Transportation	2,379,798	2,613,499	2,597,366	(16,133)
Central support	1,572,288	1,706,584	1,692,453	(14,131)
Total supporting services	24,328,315	25,377,432	24,948,939	(428,493)
Community service	1,816,700	1,798,941	1,769,309	(29,632)
Debt service				
Principal	377,422	320,521	320,528	7
Interest	54,005	56,137	56,128	(9)
Total debt service	431,427	376,658	376,656	(2)
Total expenditures	68,606,567	68,973,840	68,346,752	(627,088)
Revenues over expenditures	22,209	443,355	1,028,022	584,667

continued...

PORTAGE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual (Concluded)
For the Year Ended June 30, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u> <u>Final Budget</u>
Other financing sources (uses)				
Issuance of long-term debt	\$ 66,410	\$ 66,410	\$ 66,410	\$ -
Proceeds from the sale of capital assets	25,000	10,398	8,910	(1,488)
Transfers in	61,000	61,000	86,584	25,584
Transfers out	(1,089,471)	(1,140,590)	(1,080,349)	60,241
Total other financing sources (uses)	(937,061)	(1,002,782)	(918,445)	84,337
Net change in fund balance	(914,852)	(559,427)	109,577	669,004
Fund balance, beginning of year	6,528,974	6,528,974	6,528,974	-
Fund balance, end of year	<u>\$ 5,614,122</u>	<u>\$ 5,969,547</u>	<u>\$ 6,638,551</u>	<u>\$ 669,004</u>

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2005

Assets

Cash and cash equivalents	\$ 61,156
Investments	<u>600,473</u>
Total assets	<u><u>\$ 661,629</u></u>

Liabilities

Due to student groups	<u><u>\$ 661,629</u></u>
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The accompanying notes are an integral part of these basic financial statements.

Notes to the Basic Financial Statements

PORTAGE PUBLIC SCHOOLS

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Notes to the Basic Financial Statements

June 30, 2005

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PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Portage Public Schools (the “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School District are described below.

A. Reporting entity

The School District has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the School District.

B. District-wide and fund financial statements

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School District had no business-type activities during the year ended June 30, 2005.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted State aid, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, although the agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations. The School District's special revenue funds include athletics, bookstore, and food service operations.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, major remodeling and improvements.

The *Agency Fund* accounts for assets held for student groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

D. Assets, liabilities and fund balance

1. *Deposits and investments*

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value based on quoted market prices.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

3. *Property taxes*

Property taxes are assessed as of December 31, and attach as an enforceable lien on property on July 1 and December 1 of the following year. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28 before they are added to the delinquent tax rolls.

The delinquent real property taxes of the School District are purchased by Kalamazoo County. These taxes have been recorded as revenue for the current year. Uncollected personal property taxes are carried as assets of the General, Capital Projects, and Debt Service Funds. Property taxes that are not collected within sixty days of the end of the fiscal year are classified as deferred revenues. Uncollected delinquent personal property taxes are written off after three years.

4. *Inventory and prepaid items*

General Fund inventories are stated at the lower of average cost or market, and consist primarily of maintenance supplies, teaching supplies and natural gas. The cost is recorded as an expenditure when consumed rather than when purchased. Inventories of the Special Revenue Funds consist primarily of government food commodities, which are donated and recorded at fair value. Donated government commodities are recorded as revenue when they are received. Certain prepayments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements. Reported inventories and prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

5. *Capital assets*

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,000 or computer equipment with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives (land is not depreciated):

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	5-10
Equipment	5-20

6. *Compensated absences*

Vacation and Sick Pay – Vacation days are earned by most year-round employees at rates specified under contractual provisions. Retiring/terminated employees are paid for unused accumulated vacation days. The School District's sick pay policy allows for accumulation of up to a certain number of days depending on the employee group involved. Upon termination of employment, all accumulated sick days are forfeited. It is the School District's policy to recognize the cost of sick leave at the time payments are made.

The liability for compensated absences reported in the District-wide financial statements consists of unpaid, accumulated vacation days. The liability has been calculated for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes no fringe benefits.

7. *Deferred Revenue*

Childcare and community enrichment fees received, which relate to future periods, are recorded as deferred revenue. Property taxes are deferred as described above. Receipts in excess of cost on grants are recorded as deferred revenue until spent or refunded to the grantor.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

8. *Long-term obligations*

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

9. *Fund balance*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis. State law requires the School District to have its budget in place by July 1. Districts are permitted to amend their budgets during the year. There were no significant amendments.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

C. Bonded Construction Costs

The 2002 Construction Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

D. Sinking Fund

The Building and Site Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Michigan Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

E. Excess of expenditures over appropriations

Budget to actual comparisons for the General Fund are presented in the fund financial statements at a level of detail greater than the legal level of budgetary control. Budgets are approved at the broad functional level. Expenditures in the food service function of the Food Service special revenue fund exceeded the amended budget by \$26,771.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets and Liabilities is as follows:

Statement of Net Assets

Cash and cash equivalents	\$ 594,144
Investments	7,677,135

Statement of Fiduciary Assets and Liabilities

Agency Funds:	
Cash and cash equivalents	61,156
Investments	<u>600,473</u>

\$ 8,932,908

Cash on hand	\$ 3,050
Bank deposits (checking accounts, savings accounts and CDs)	5,752,722
Investments	<u>3,177,136</u>

\$ 8,932,908

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Statutory Authority

Michigan law authorizes the School District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The School District's investment policy allow for all of these types of investments.

Deposits and investments

The School District chooses to disclose its investments by specifically identifying each. As of year end, the School District had the following deposits and investments.

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Checking/savings accounts	n/a	\$ 652,250	n/a
Certificates of deposit	< 1 year	5,100,473	n/a
Bank One Public Funds			
Market Index Account	n/a	10,352	n/a
Citizens Bank Public Funds			
Money Market Investment Account	n/a	32,502	n/a
Flagstar Bank Public Funds Savings Account	n/a	333,379	n/a
Fifth Third Local Units of Government	24.92 days	1,011,401	n/a
Fifth Third Public Funds Maxsaver	n/a	1,245,047	n/a
Huntington Bank Premier			
Money Market Account	n/a	<u>544,454</u>	n/a
		<u>\$ 8,929,858</u>	

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment credit risk. None of the investment above were subject to credit risk ratings.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. State law does not require and the School District does not have a policy for deposit custodial credit risk. As of year end, \$6,107,091 of the School District's bank balance of \$6,515,095 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the School District does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on concentration of credit risk. The School District utilizes an investment advisor to assist it in diversifying its investment portfolio by maintaining concentration limits for both types of investments and specific institutions. All investments held at year end are reported above.

B. Receivables

Receivables as of year end for the School District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Accounts	\$ 201,962	\$ 124,452	\$ 326,414
Taxes	472,548	210,542	683,090
Intergovernmental	8,550,564	13,456	8,564,020
Notes	-	16,080	16,080
Total receivables	<u>\$ 9,225,074</u>	<u>\$ 364,530</u>	<u>\$ 9,589,604</u>

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 768,810	\$ -	\$ -	\$ 768,810
Assets not yet placed in service	-	442,900	-	442,900
Construction in progress	261,506	309,735	261,506	309,735
Total capital assets not being depreciated	1,030,316	752,635	261,506	1,521,445
Capital assets being depreciated:				
Land improvements	2,738,202	352,919	-	3,091,121
Buildings and improvements	54,136,747	2,916,207	-	57,052,954
Equipment	11,772,329	2,096,626	1,441,075	12,427,880
Vehicles	4,114,852	92,179	45,851	4,161,180
Total capital assets being depreciated	72,762,130	5,457,931	1,486,926	76,733,135
Less accumulated depreciation for:				
Land improvements	1,543,663	124,842	-	1,668,505
Buildings and improvements	22,847,383	689,259	-	23,536,642
Equipment	8,212,802	933,118	1,422,168	7,723,752
Vehicles	2,210,088	393,002	45,851	2,557,239
Total accumulated depreciation	34,813,936	2,140,221	1,468,019	35,486,138
Total capital assets being depreciated, net	37,948,194	3,317,710	18,907	41,246,997
Governmental activities capital assets, net	\$ 38,978,510	\$ 4,070,345	\$ 280,413	\$ 42,768,442

For the year ended June 30, 2005, depreciation expense was charged to the functions/programs of the School District as follows:

Governmental activities:

Instruction	\$ 409,977
Supporting services	802,995
Community service	18,118
Athletics	101,847
Food service	20,307
Unallocated depreciation	<u>786,977</u>

Total government activities **\$ 2,140,221**

The School District has active construction projects at year end. At June 30, 2005, the School District has commitments with contractors of \$116,000 in the 2002 Construction Fund and \$783,000 in the Building and Site Sinking Fund.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

D. Payables

Accounts payable and accrued liabilities as of year end for the School District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Financial Statements:			
Accounts payable	\$ 441,812	\$ 260,197	\$ 702,009
Salaries payable	4,788,437	17,335	4,805,772
Accrued liabilities	2,394,353	19,931	2,414,284
Due to other governments	<u>38,694</u>	<u>-</u>	<u>38,694</u>
	<u>\$ 7,663,296</u>	<u>\$ 297,463</u>	7,960,759
District-wide Financial Statements:			
Accrued interest payable			<u>386,863</u>
Total accounts payable and accrued liabilities			<u>\$8,347,622</u>

E. Interfund receivables, payables and transfers

At June 30, 2005, interfund receivables and payables consisted of the following:

	<u>Due to</u>	<u>Due from</u>
General Fund	\$ 145,032	\$ -
Nonmajor governmental funds	<u>-</u>	<u>145,032</u>
	<u>\$ 145,032</u>	<u>\$ 145,032</u>

For the year ended June 30, 2005, interfund transfers consisted of the following:

	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$ 1,080,349	\$ 86,584
Nonmajor governmental funds	<u>1,750,252</u>	<u>2,744,017</u>
	<u>\$ 2,830,601</u>	<u>\$ 2,830,601</u>

The School District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2005, the School District transferred funds to provide funds for the repayment of principal on debt, fund athletic activities, and transfer indirect costs.

F. Long-Term debt

Long-term debt and other obligations of the School District at June 30, 2005 are summarized as follows:

	Long-Term Debt Outstanding at July 1, 2004	Additions	Retirements	Long-Term Debt Outstanding at June 30, 2005	Amount Due Within One Year
2002 General Obligation Building and Site Bonds, \$11,885,000, due in annual installments of \$450,000 to \$1,870,000 through May 1, 2014, with interest at 2% to 5%. Purpose of issue: Construction, renovation, at all buildings, and reequipping	\$ 10,235,000	\$ -	\$ 565,000	\$ 9,670,000	\$ 675,000
2001 General Obligation Building and Site Bonds, \$4,615,000, due in annual installments of \$1,450,000 to \$1,615,000 through May 1, 2005, with interest at 2.5% to 3.0%. Purpose of issue: Construct two multipurpose facilities and renovate auditoriums at high schools	1,615,000	-	1,615,000	-	-
1999 Refunding Bonds, \$24,170,000, due in annual installments of \$125,000 to \$2,750,000 through May 1, 2019, with interest at 3.1% to 5.0%. Purpose of issue: Partial refunding of 1993 and 1996 bond issues	22,795,000	-	155,000	22,640,000	125,000
1996 General Obligation Building and Site Serial Bonds, \$18,185,000, due in annual installments of \$580,000 to \$1,470,000 through May 1, 2007, with interest at 4.15% to 6.0%. Purpose of issue: Construction, renovation, and reequipping at all buildings	2,460,000	-	720,000	1,740,000	840,000

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

	Long-Term Debt Outstanding at July 1, 2004	Additions	Retirements	Long-Term Debt Outstanding at June 30, 2005	Amount Due Within One Year
1993 General Obligation Building and Site Serial Bonds, \$19,847,950, due in annual installments of \$35,000 to \$1,050,000 through May 1, 2007, with interest at 3.8% to 5.625%. Purpose of issue: construct Moorsbridge Elementary; renovate, reequip, and improve sites at other buildings	\$ 1,697,238	\$ -	\$ 579,031	\$ 1,118,207	\$ 565,584
Various vehicle installment purchase contracts, due in annual installments of \$7,000 to \$89,453, with interest at 4.13% to 5.60%	<u>1,410,056</u>	<u>66,410</u>	<u>327,665</u>	<u>1,148,801</u>	<u>338,733</u>
Total Installment Debt	40,212,294	66,410	3,961,696	36,317,008	2,544,317
Compensated absences	317,356	272,350	246,887	342,819	261,210
Obligations under the Pay for Performance Plan	110,547	28,559	14,992	124,114	30,000
Unamortized bond premium	<u>19,139</u>	<u>-</u>	<u>2,126</u>	<u>17,013</u>	<u>2,127</u>
Total Long-Term Debt	<u>\$ 40,659,336</u>	<u>\$ 367,319</u>	<u>\$ 4,225,701</u>	<u>\$ 36,800,954</u>	<u>\$ 2,837,654</u>

In March 1999, the School District issued \$24,170,000 of general obligation bonds to advance refund \$22,280,000 of 1993 and 1996 general obligation bonds. The net proceeds were used to purchase U.S. Government securities, which are held in an irrevocable trust with an escrow agent, to provide for all future debt service payments on the general obligation bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements.

At June 30, 2005, the balance outstanding on the principal of the refunded bonds was \$9,780,000.

Future principal and interest payment requirements on outstanding debt are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$ 2,544,317	\$ 2,107,741	\$ 4,652,058
2007	2,726,358	2,088,826	4,815,184
2008	3,525,432	1,331,279	4,856,711
2009	3,270,548	1,196,239	4,466,787
2010	3,479,285	1,065,716	4,545,001
2011-2015	17,261,068	2,913,310	20,174,378
2016-2019	<u>3,510,000</u>	<u>443,450</u>	<u>3,953,450</u>
	<u>\$ 36,317,008</u>	<u>\$ 11,146,561</u>	<u>\$ 47,463,569</u>

Installment purchase contracts, compensated absences, and obligations under the Pay for Performance plan are generally liquidated by the general fund.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

G. Fund balance reservations and designations

Following is a schedule of the reservations and designations of fund balances by fund type:

	<u>General Fund</u>	<u>Nonmajor Funds</u>
Reserved for:		
Inventory	\$ 29,867	\$ 30,590
Prepays	118,103	-
Unreserved:		
Designated for:		
Durant settlement – future programs	1,040,847	-
Site-based building expenditures	143,545	-
Site Ownership of Athletics Revenue	-	103,469
Undesignated	<u>5,306,189</u>	<u>2,777,254</u>
Total fund balance	<u>\$ 6,638,551</u>	<u>\$ 2,911,313</u>

IV. OTHER INFORMATION

A. Risk management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District is a participant in a public entity risk pool through SET-SEG. This program provides substantially all the insurance needs of the District, including property, general liability, automobile, and umbrella premium. Payments made for the year ended June 30, 2005, were approximately \$257,000. The contributions made by the District fund the program at rates predicated on expected losses, excess insurance premium contribution, and administration costs, including appropriate state assessment. The possibility of additional claims exist but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverages are triggered.

The School District is self-insured for workers' compensation on a pay-as-you-go basis for claims up to \$300,000, with reinsurance coverage provided once claims exceed \$399,500 in the aggregate. The self-insurance program is administered by a third party administrator. All workers' compensation benefits are paid out of the General Fund. The School District pays unemployment claims on a reimbursement basis. Changes in the estimated liability are as follows:

	<u>2005</u>	<u>2004</u>
Estimated liability, beginning of year	\$ 65,000	\$ 42,100
Estimated claims incurred	221,020	212,689
Claim payments	<u>(189,820)</u>	<u>(189,789)</u>
Estimated liability, end of year	<u>\$ 96,200</u>	<u>\$ 65,000</u>

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

The School District is self-insured for dental and vision coverage on a pay-as-you-go basis. The self-insurance program is administered by a third party administrator. Dental and vision benefits are paid out of the fund to which each employee's wages are charged. Changes in the estimated liability are as follows:

	<u>2005</u>	<u>2004</u>
Estimated liability, beginning of year	\$ 4,400	\$ 6,500
Estimated claims incurred	144,247	146,014
Claim payments	<u>(142,147)</u>	<u>(148,114)</u>
Estimated liability, end of year	<u>\$ 6,500</u>	<u>\$ 4,400</u>

The School District continues to carry commercial insurance for all other risks of loss, including employee life, health, and accident insurance.

B. Defined benefit pension plan

Plan Description

The School District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 14.87% of annual covered payroll. The contribution requirements of plan members and the School District are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$6,464,388, \$5,678,043, and \$5,696,276 respectively, equal to the required contributions for each year.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

The School District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

C. Early retirement incentive plan

Certain teachers and administrators of the School District have elected to participate in an early retirement incentive program established by the School District for teachers and administrators meeting various eligibility requirements. The expenditures for this plan were \$188,853 for the year ended June 30, 2005.

D. Deferred compensation plans

Pay for Performance Plan. The School District offers its administrators a pay for performance plan created in accordance with Section 457 of the Internal Revenue Code (IRC). Administrators participate in and invest in the plan based upon certain length of employment criteria. Final payments are made in a lump sum distribution or in two installment payments. The vested benefits of the pay for performance plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. At June 30, 2005, the following summarizes the amounts held in the trust:

Balance in Trust Fund	\$ 97,438
Amounts due from General Fund for additional vested benefits	<u>26,675</u>
Total Vested Benefits	<u>\$ 124,114</u>

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Employee Retirement Contributions. Certain employees have contributed funds to qualified retirement trusts under Section 457 of the IRC. At June 30, 2005, the amounts held under trust were \$26,243.

E. Operating lease

The District has entered into an operating lease agreement for its copier equipment. The future minimum lease payments for this lease are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 304,196
2007	<u>304,196</u>
Total	<u>\$ 608,392</u>

F. Subsequent event

On August 16, 2005, the School District borrowed \$386,987 on an installment purchase agreement for the acquisition of five passenger buses and one special needs lift equipped bus. The agreement bears interest at a rate of 3.49%. Both interest and principal payments will be payable annually on July 15 for six years, commencing July 15, 2006.

* * * * *

**Combining and Individual Fund
Financial Statements and Schedules**

PORTAGE PUBLIC SCHOOLS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Special Revenue Funds</u>			<u>1993 Debt Service</u>
	<u>Athletics</u>	<u>Bookstore</u>	<u>Food Service</u>	
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 3,176	\$ -	\$ 345,901	\$ -
Investments	-	-	-	253,760
Accounts receivable	-	-	121,170	-
Taxes receivable	-	-	-	32,174
Due from other governments	-	-	13,456	-
Due from other funds	130,353	-	13,570	171
Inventory	-	-	30,590	-
Notes receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 133,529</u>	<u>\$ -</u>	<u>\$ 524,687</u>	<u>\$ 286,105</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 8,249	\$ -	\$ 17,549	\$ -
Salaries and withholdings payable	17,335	-	-	-
Accrued liabilities	4,476	-	15,455	-
Deferred revenue	-	-	13,652	1,871
Total liabilities	<u>30,060</u>	<u>-</u>	<u>46,656</u>	<u>1,871</u>
Fund Balances				
Reserved for inventory	-	-	30,590	-
Unreserved:				
Designated for site ownership of athletics revenue	103,469	-	-	-
Undesignated	-	-	447,441	284,234
Total fund balances	<u>103,469</u>	<u>-</u>	<u>478,031</u>	<u>284,234</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 133,529</u>	<u>\$ -</u>	<u>\$ 524,687</u>	<u>\$ 286,105</u>

Debt Service Funds				Capital Projects		Total Nonmajor Governmental Funds
1996 Debt Service	1999 Debt Service	2001 Debt Service	2002 Debt Service	Building and Site Sinking Fund	2002 Construction Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349,077
244,322	280,669	-	237,281	45,861	1,300,430	2,362,323
-	-	-	-	242	3,040	124,452
27,885	34,544	-	30,584	85,355	-	210,542
-	-	-	-	-	-	13,456
152	178	-	158	450	-	145,032
-	-	-	-	-	-	30,590
-	-	-	-	16,080	-	16,080
<u>\$ 272,359</u>	<u>\$ 315,391</u>	<u>\$ -</u>	<u>\$ 268,023</u>	<u>\$ 147,988</u>	<u>\$ 1,303,470</u>	<u>\$ 3,251,552</u>
\$ -	\$ -	\$ -	\$ -	\$ 111,326	\$ 123,073	\$ 260,197
-	-	-	-	-	-	17,335
-	-	-	-	-	-	19,931
-	4,864	-	1,491	20,898	-	42,776
-	4,864	-	1,491	132,224	123,073	340,239
-	-	-	-	-	-	30,590
-	-	-	-	-	-	103,469
<u>272,359</u>	<u>310,527</u>	<u>-</u>	<u>266,532</u>	<u>15,764</u>	<u>1,180,397</u>	<u>2,777,254</u>
<u>272,359</u>	<u>310,527</u>	<u>-</u>	<u>266,532</u>	<u>15,764</u>	<u>1,180,397</u>	<u>2,911,313</u>
<u>\$ 272,359</u>	<u>\$ 315,391</u>	<u>\$ -</u>	<u>\$ 268,023</u>	<u>\$ 147,988</u>	<u>\$ 1,303,470</u>	<u>\$ 3,251,552</u>

PORTAGE PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds			1993 Debt Service
	Athletics	Bookstore	Food Service	
Revenues				
Local sources	\$ 251,420	\$ 42,578	\$ 1,611,665	\$ 1,134,875
State sources	-	-	104,157	-
Federal sources	-	-	645,147	-
Total revenues	251,420	42,578	2,360,969	1,134,875
Expenditures				
Athletics	1,357,237	-	-	-
Bookstore	-	42,578	-	-
Food service	-	-	2,295,092	-
Debt service:				
Principal	-	-	7,137	579,031
Interest	-	-	1,325	535,969
Other	-	-	-	1,463
Capital outlay	-	-	-	-
Total expenditures	1,357,237	42,578	2,303,554	1,116,463
Revenues over (under) expenditures	(1,105,817)	-	57,415	18,412
Other financing sources (uses)				
Proceeds from the sale of capital assets	-	-	2,150	-
Transfers in	1,080,349	-	-	-
Transfers out	-	-	(86,584)	-
Total other financing sources (uses)	1,080,349	-	(84,434)	-
Net change in fund balances	(25,468)	-	(27,019)	18,412
Fund balances, beginning of year	128,937	-	505,050	265,822
Fund balances, end of year	<u>\$ 103,469</u>	<u>\$ -</u>	<u>\$ 478,031</u>	<u>\$ 284,234</u>

Debt Service Funds				Capital Projects		Total
1996 Debt Service	1999 Debt Service	2001 Debt Service	2002 Debt Service	Building and Site Sinking Fund	2002 Construction Fund	Nonmajor Governmental Funds
\$ 1,002,138	\$ 1,172,396	\$ 1	\$ 1,044,963	\$ 2,974,739	\$ 74,043	\$ 9,308,818
-	-	-	-	-	-	104,157
-	-	-	-	-	-	645,147
1,002,138	1,172,396	1	1,044,963	2,974,739	74,043	10,058,122
-	-	-	-	-	-	1,357,237
-	-	-	-	-	-	42,578
-	-	-	-	-	-	2,295,092
720,000	155,000	1,615,000	565,000	-	-	3,641,168
140,850	1,001,555	48,700	384,400	-	-	2,112,799
1,450	2,271	-	1,688	4,091	-	10,963
-	-	-	-	2,039,497	3,800,859	5,840,356
862,300	1,158,826	1,663,700	951,088	2,043,588	3,800,859	15,300,193
139,838	13,570	(1,663,699)	93,875	931,151	(3,726,816)	(5,242,071)
-	-	-	-	-	-	2,150
-	-	1,663,668	-	-	-	2,744,017
-	-	-	-	(1,663,668)	-	(1,750,252)
-	-	1,663,668	-	(1,663,668)	-	995,915
139,838	13,570	(31)	93,875	(732,517)	(3,726,816)	(4,246,156)
132,521	296,957	31	172,657	748,281	4,907,213	7,157,469
\$ 272,359	\$ 310,527	\$ -	\$ 266,532	\$ 15,764	\$ 1,180,397	\$ 2,911,313

PORTAGE PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2005

	Athletics		
	Budget	Actual	Over (Under) Budget
Revenues			
Local sources	\$ 248,952	\$ 251,420	\$ 2,468
State sources	-	-	-
Federal sources	-	-	-
Total revenues	248,952	251,420	2,468
Expenditures			
Athletics	1,389,542	1,357,237	(32,305)
Bookstore	-	-	-
Food service	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,389,542	1,357,237	(32,305)
Revenues over (under) expenditures	(1,140,590)	(1,105,817)	34,773
Other financing sources (uses)			
Proceeds from the sale of capital assets	-	-	-
Transfers in	1,140,590	1,080,349	(60,241)
Transfers out	-	-	-
Total other financing sources (uses)	1,140,590	1,080,349	(60,241)
Net change in fund balances	-	(25,468)	(25,468)
Fund balances, beginning of year	128,937	128,937	-
Fund balances, end of year	\$ 128,937	\$ 103,469	\$ (25,468)

Bookstore			Food Service		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 42,700	\$ 42,578	\$ (122)	\$ 1,655,567	\$ 1,611,665	\$ (43,902)
-	-	-	102,826	104,157	1,331
-	-	-	624,854	645,147	20,293
42,700	42,578	(122)	2,383,247	2,360,969	(22,278)
-	-	-	-	-	-
42,700	42,578	(122)	-	-	-
-	-	-	2,268,321	2,295,092	26,771
-	-	-	6,968	7,137	169
-	-	-	1,364	1,325	(39)
42,700	42,578	(122)	2,276,653	2,303,554	26,901
-	-	-	106,594	57,415	(49,179)
-	-	-	-	2,150	2,150
-	-	-	-	-	-
-	-	-	(86,584)	(86,584)	-
-	-	-	(86,584)	(84,434)	2,150
-	-	-	20,010	(27,019)	(47,029)
-	-	-	505,050	505,050	-
\$ -	\$ -	\$ -	\$ 525,060	\$ 478,031	\$ (47,029)

PORTAGE PUBLIC SCHOOLS
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2005

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	\$ 14,071	\$ 2,393,760	\$ 2,346,675	\$ 61,156
Investments	626,852	4,213,927	4,240,306	600,473
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 640,923</u>	<u>\$ 6,607,687</u>	<u>\$ 6,586,981</u>	<u>\$ 661,629</u>
 Liabilities				
Due to student groups	<u>\$ 640,923</u>	<u>\$ 6,607,687</u>	<u>\$ 6,586,981</u>	<u>\$ 661,629</u>

PORTAGE PUBLIC SCHOOLS
Schedule of Capital Assets Used in the Operation of Governmental Activities
For the Year Ended June 30, 2005

Building/Location	Land	Land Improvements	Buildings and Improvements	Equipment
Amberly Elementary	\$ 19,600	\$ 245,735	\$ 1,930,002	\$ 395,630
Angling Road Elementary	23,600	103,878	2,573,253	363,840
Central Elementary (1)	99,823	105,021	2,791,596	310,524
Haverhill Elementary	34,032	102,336	2,000,541	364,715
Lake Center Elementary	89,435	125,423	897,173	280,863
Moorsbridge Elementary	-	174,043	6,037,043	353,282
Waylee Elementary	16,000	21,531	1,543,122	272,963
Woodland Elementary	54,670	103,304	3,182,359	304,908
Central Middle School	-	146,566	4,673,306	672,116
North Middle School	-	249,325	3,909,687	843,746
West Middle School (2)	198,000	161,262	5,753,655	859,869
Central High School (3)	80,300	895,682	8,561,374	1,852,540
Northern High School (4)	62,400	512,397	10,900,623	1,976,123
Community Education Center	-	20,728	1,202,966	174,415
Administration Building	-	79,230	641,696	3,160,114
Transportation	-	44,660	126,330	18,538
Maintenance & Operations	-	-	328,228	223,694
12th Street	41,450	-	-	-
South Westnedge	20,000	-	-	-
West Centre Street	29,500	-	-	-
Total capital assets	\$ 768,810	\$ 3,091,121	\$ 57,052,954	\$ 12,427,880

- (1) Land includes McCamley Field
- (2) Land includes Moorsbridge Elementary
- (3) Land includes Central Middle School, Administration, Maintenance and Operations, and Transportation
- (4) Land includes North Middle School and Community Education Center

Vehicles	Construction in Progress	Assets not Yet Placed in Service	Total
\$ -	\$ -	\$ -	\$ 2,590,967
-	-	26,660	3,091,231
-	46,354	11,180	3,364,498
-	-	-	2,501,624
-	61,103	12,900	1,466,897
-	56,889	-	6,621,257
-	46,354	30,100	1,930,070
-	-	31,820	3,677,061
-	-	49,020	5,541,008
-	-	37,840	5,040,598
-	-	55,040	7,027,826
-	9,237	69,660	11,468,793
-	22,318	93,740	13,567,601
-	-	-	1,398,109
-	67,480	24,940	3,973,460
4,161,180	-	-	4,350,708
-	-	-	551,922
-	-	-	41,450
-	-	-	20,000
-	-	-	29,500
<hr/>			
\$ 4,161,180	\$ 309,735	\$ 442,900	\$ 78,254,580

PORTAGE PUBLIC SCHOOLS
Schedule of Bonded Indebtedness
June 30, 2005

Year Ending June 30,	1993 Debt Principal	1996 Debt Principal	1999 Debt Principal	2002 Debt Principal
2006	\$ 565,584	\$ 840,000	\$ 125,000	\$ 675,000
2007	552,623	900,000	160,000	775,000
2008	-	-	2,430,000	850,000
2009	-	-	2,535,000	600,000
2010	-	-	2,510,000	890,000
2011	-	-	2,570,000	1,100,000
2012	-	-	2,635,000	1,325,000
2013	-	-	2,695,000	1,585,000
2014	-	-	2,750,000	1,870,000
2015	-	-	720,000	-
2016	-	-	780,000	-
2017	-	-	840,000	-
2018	-	-	905,000	-
2019	-	-	985,000	-
	<u>\$ 1,118,207</u>	<u>\$ 1,740,000</u>	<u>\$ 22,640,000</u>	<u>\$ 9,670,000</u>
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rates	3.80%-5.625%	4.15%-6.00%	3.10%-5.00%	2.0%-5.0%
Original issue	<u>\$ 19,847,950</u>	<u>\$ 18,185,000</u>	<u>\$ 24,170,000</u>	<u>\$ 11,885,000</u>

PORTAGE PUBLIC SCHOOLS

Schedule of Deposits and Investments

June 30, 2005

General Fund

Checking Accounts

Fifth Third Bank	\$ 236,225	
Flagstar Bank	6,002	
Total Checking Accounts	<u> </u>	\$ 242,227

Investments

Bank One Public Funds Market Index Accou	\$ 10,352	
Huntington Bank Premier Money Market Accou	452,103	
Flagstar Bank Public Funds Savings Accou	319,851	
Citizens Bank Public Funds Money Market Investment Accou	32,502	
Fifth Third Bank Local Units of Government Accou	4	
Flagstar Bank Certificate of Deposi	1,800,000	
Huntington Bank Certificate of Deposi	2,400,000	
Keystone Bank Certificate of Deposi	300,000	
Total Investments	<u> </u>	5,314,812

Total General Fund \$ 5,557,039

Special Revenue Funds

Food Service Fund

Checking Accounts		
Fifth Third Bank	344,690	
Flagstar Bank	1,001	
Total Checking Accounts	<u> </u>	345,691

Athletic Fund

Checking Account		
Fifth Third Bank	<u> </u>	3,176

Total Special Revenue Funds 348,867

Debt Service Funds

Investments

Flagstar Bank Public Funds Savings Accou	4,639	
Fifth Third Bank Local Units of Government Accou	<u>1,011,393</u>	

Total Debt Service Funds 1,016,032

Capital Projects Fund

Investments

Huntington Bank Premier Money Market Accou	10,203	
Flagstar Bank Public Funds Savings Accou	2,887	
Fifth Third Bank Public Fund Maxsaver Accou	32,769	
Fifth Third Bank Local Units of Government Accou	<u>2</u>	

Total Capital Projects Fund 45,861

2002 Construction Fund

Investments

Flagstar Bank Public Funds Savings Accou	6,002	
Huntington Bank Premier Money Market Accou	82,148	
Fifth Third Bank Public Fund Maxsaver Accou	1,212,278	
Fifth Third Bank Local Units of Government Accou	<u>2</u>	

Total 2002 Construction Fund 1,300,430

Agency Fund

Checking Accounts

Fifth Third Bank	60,155	
Flagstar Bank	1,001	
Total Checking Accounts	<u> </u>	61,156

Investments

Flagstar Bank Certificate of Deposi	<u>600,473</u>	
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Total Agency Fund 661,629

Total All Funds \$ 8,929,858

STATISTICAL SECTION
(Unaudited)

PORTAGE PUBLIC SCHOOLS

Summary of Government-wide Expenses by Function (Unaudited)

Last Three Fiscal Years*

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Instruction	\$ 40,668,552	\$ 40,969,953	\$ 41,626,329
Supporting Services	26,074,708	24,947,520	25,875,805
Community Service	1,669,402	1,658,295	1,770,866
Athletics	1,366,536	1,464,972	1,440,323
Bookstore	33,410	44,239	42,578
Food Service	1,855,166	2,072,293	2,196,763
Interest on long-term debt	1,926,207	2,312,053	2,154,940
Unallocated depreciation	961,743	814,932	786,977
Total	<u>\$ 74,555,724</u>	<u>\$ 74,284,257</u>	<u>\$ 75,894,581</u>

* Portage Public Schools adopted GASB #34 in 2003.

PORTAGE PUBLIC SCHOOLS
Summary of Government-wide Revenues (Unaudited)
Last Three Fiscal Years*

<u>Revenue</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Charges for services:			
Instruction	\$ 588,350	\$ 537,325	\$ 570,716
Supporting services	102,636	83,517	298,253
Community Services	1,614,123	1,730,950	1,976,416
Athletics	199,065	238,133	251,420
Bookstore	33,410	44,239	42,578
Food Service	1,344,389	1,484,842	1,605,025
Total charges for services	3,881,973	4,119,006	4,744,408
Operating grants/contributions:			
Instruction	2,182,435	1,766,475	2,050,007
Supporting services	476,784	685,115	838,586
Community service	26,746	2,513	-
Food service	608,401	697,361	749,306
Interest on long-term debt	52,863	27,931	63,778
Total operating grants/contributions	3,347,229	3,179,395	3,701,677
General revenue:			
Property taxes	23,118,462	25,092,065	26,266,615
Unrestricted state aid	46,109,748	45,222,735	44,241,772
Grants and contributions not restricted to specific programs	33,997	90,689	35,492
Unrestricted investment earnings	367,620	227,189	345,963
Gain (loss) on sale of capital assets	(9,083)	7,088	(7,847)
Total general revenue	\$ 69,620,744	\$ 70,639,766	\$ 70,881,995

*Portage Public Schools adopted GASB #34 in 2003.

PORTAGE PUBLIC SCHOOLS

Summary of Expenditures by Function-All Governmental Fund Types* (Unaudited)

Last Ten Fiscal Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Instruction	\$ 31,668,476	\$ 32,056,156	\$ 33,345,651	\$ 33,384,697	\$ 34,227,942
Supporting Services	17,330,285	17,731,148	** 18,593,707	19,998,624	20,240,596
Athletics	921,759	987,481	1,034,149	1,048,885	1,027,145
Food Service	1,264,644	1,273,465	1,292,251	1,449,948	1,617,984
Community Service	111,551	1,156,826	1,257,128	1,334,333	1,403,461
Capital Outlay	7,129,213	4,015,560	9,259,835	7,584,235	5,211,578
Debt Service	2,092,851	3,210,556	3,266,080	2,915,284	3,634,783
Other	30,848	26,770	23,547	20,715	21,265
	<hr/>				
Total	\$ 60,549,627	\$ 60,457,962	\$ 68,072,348	\$ 67,736,721	\$ 67,384,754

* Portage Public Schools Audited Financial Statements

** Beginning in fiscal year 1997, childcare expenditures were included in "Community Service."

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 36,408,555	\$ 40,609,738	\$ 40,226,031	\$ 40,572,153	\$ 41,251,848
22,122,976	24,196,084	24,850,809	24,475,794	24,948,939
1,171,196	1,269,174	1,359,543	1,364,108	1,357,237
1,648,316	1,833,498	1,855,888	2,069,951	2,295,092
1,529,371	1,442,934	1,671,183	1,705,664	1,769,309
1,494,314	5,046,581	5,909,841	5,792,968	5,840,356
3,750,233	3,977,693	6,598,634	6,071,514	6,141,586
21,879	553,914	33,410	44,239	42,578
<hr/>				
\$ 68,146,840	\$ 78,929,616	\$ 82,505,339	\$ 82,096,391	\$ 83,646,945
<hr/>				

PORTAGE PUBLIC SCHOOLS

Summary of Governmental Revenues and Other Financing Sources

All Governmental Fund Types* (Unaudited)

Last Ten Fiscal Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
General Fund:				
Property taxes	\$ 9,923,432	\$ 10,487,940	\$ 11,473,761	\$ 12,073,938
Other local sources	1,922,337	1,749,072	1,896,256	2,041,006
Intermediate sources	2,420,781	2,647,795	2,367,837	2,509,177
State sources	35,389,462	37,122,987	40,715,436	38,362,180
Federal sources	513,610	773,825	713,436	979,892
Proceeds from issuance of debt	337,722	37,690	534,000	573,374
Other financing sources	-	-	-	-
Total General Fund	50,507,344	52,819,309	57,700,726	56,539,567
Special Revenue Funds:				
Local	991,470	966,551	1,099,941	1,269,185
State	12,159	11,278	16,122	87,458
Federal	329,361	335,421	377,949	411,151
Incoming Transfers	841,584	909,166	975,436	936,629
Proceeds from issuance of debt	-	-	-	-
Total Special Revenue Funds	2,174,574	2,222,416	2,469,448	2,704,423
Debt Retirement Funds:				
Property taxes	2,003,566	2,746,110	2,967,860	3,145,780
Interest and other	147,505	204,505	162,164	192,512
Proceeds of bond refunding	-	-	-	24,170,000
Incoming transfers	-	-	-	-
Total Debt Retirement Funds	2,151,071	2,950,615	3,130,024	27,508,292
Capital Projects Fund:				
Property Taxes	1,150,692	597,158	642,343	680,919
Other Local Sources	79,553	36,932	33,484	48,666
Total Capital Projects Fund	1,230,245	634,090	675,827	729,585
Construction Fund:				
Bond proceeds	-	18,227,694	-	-
Interest and other	74,699	878,848	744,602	335,404
Incoming transfers	-	-	-	-
Total Construction Fund	74,699	19,106,542	744,602	335,404
Total Revenues and Other Financing Sources	\$ 56,137,933	\$ 77,732,972	\$ 64,720,627	\$ 87,817,271

* Portage Public Schools Audited Financial Statements

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 12,782,913	\$ 12,664,803	\$ 14,185,087	\$ 13,663,933	\$ 14,801,189	\$ 15,874,318
2,378,529	2,561,367	2,529,133	2,599,791	2,631,059	3,312,466
2,543,081	2,696,973	2,970,269	2,958,804	3,197,519	3,102,212
39,570,177	42,529,314	46,306,443	48,056,797	46,852,696	46,016,677
937,401	876,971	855,695	661,336	782,294	1,069,101
-	473,431	608,718	404,037	409,296	66,410
-	-	-	-	99,910	95,494
58,212,101	61,802,859	67,455,345	68,344,698	68,773,963	69,536,678
1,371,206	1,455,894	1,527,920	1,580,646	1,769,902	1,905,663
53,994	94,742	80,703	91,207	105,294	104,157
455,022	434,421	484,023	517,194	592,066	645,147
950,647	1,021,976	1,089,425	1,105,639	1,146,657	1,080,349
-	49,960	-	-	-	-
2,830,869	3,056,993	3,182,071	3,294,686	3,613,919	3,735,316
3,313,949	3,378,531	3,677,449	3,733,182	3,982,140	4,234,508
214,487	248,238	163,242	105,781	235,030	119,865
-	-	-	-	-	-
-	-	51,500	1,576,050	1,640,225	1,663,668
3,528,436	3,626,769	3,892,191	5,415,013	5,857,395	6,018,041
717,319	731,298	2,507,347	2,545,347	2,715,091	2,887,164
52,855	68,206	98,558	91,791	124,748	87,575
770,174	799,504	2,605,905	2,637,138	2,839,839	2,974,739
-	-	4,615,000	11,885,000	-	-
85,222	-	43,652	205,119	88,898	74,043
-	-	-	2,025,183	-	-
85,222	-	4,658,652	14,115,302	88,898	74,043
\$ 65,426,802	\$ 69,286,125	\$ 81,794,164	\$ 93,806,837	\$ 81,174,014	\$ 82,338,817

PORTAGE PUBLIC SCHOOLS
Summary of Property Tax Data (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	1996	1997	1998
Total Tax Levy	\$ 13,077,690	\$ 13,831,208	\$ 15,083,208
Current Tax Collections:			
To March 1	12,797,736	13,554,316	14,823,121
To June 30	12,811,931	13,801,599	15,056,244
Percentages of Collections:			
Current to March 1	97.86%	98.00%	98.28%
Current to June 30	97.97%	99.79%	99.82%
Total Delinquent Property Taxes-Current Year	\$ 265,759	\$ 276,892	\$ 260,087
Total Delinquent Property Taxes-All Years	\$ 308,461	\$ 296,118	\$ 298,420
Total Delinquent Taxes-Current Year as a Percentage of Tax Levy	2.03%	2.00%	1.72%
Total Delinquent Taxes-All Years as a Percentage of Tax Levy	2.36%	2.14%	1.98%

Source: Portage Public Schools Audit Reports

	1999	2000	2001	2002	2003	2004	2005
\$	15,900,637	\$ 16,814,181	\$ 16,774,632	\$ 20,369,883	\$20,037,076	\$ 21,580,385	\$ 23,060,966
	15,636,716	16,220,537	16,365,507	19,865,461	19,610,142	21,163,053	22,594,758
	15,878,732	16,767,969	16,706,372	20,306,776	19,942,462	21,498,421	22,965,700
	98.34%	96.47%	97.56%	97.52%	97.87%	98.07%	97.98%
	99.86%	99.73%	99.59%	99.69%	99.53%	99.62%	99.59%
\$	263,921	\$ 593,644	\$ 409,125	\$ 504,422	\$ 426,934	\$ 417,332	\$ 466,208
\$	301,280	\$ 634,264	\$ 419,105	\$ 474,516	\$ 452,472	\$ 522,219	\$ 626,189
	1.66%	3.53%	2.44%	2.48%	2.13%	1.93%	2.02%
	1.89%	3.77%	2.50%	2.33%	2.26%	2.42%	2.72%

PORTAGE PUBLIC SCHOOLS
Assessed Value of Taxable Property (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	Composition of Taxable Value					
	Taxable Value	Agricultural	Commercial	Industrial	Residential	Personal Property
1996	\$ 1,177,926,788	\$ 1,681,749	\$ 184,534,391	\$ 105,753,533	\$ 664,315,815	\$ 221,641,300
1997	1,248,469,949	1,927,491	196,339,743	115,251,131	707,556,024	227,395,560
1998	1,350,457,428	1,911,289	206,285,344	117,618,991	753,726,704	270,915,100
1999	1,429,934,001	2,043,636	216,173,403	123,338,955	804,583,807	283,794,200
2000	1,505,729,960	1,972,881	231,004,159	133,767,669	841,503,451	297,481,800
2001	1,535,935,621	1,981,038	248,821,985	138,527,530	880,928,468	265,676,600
2002	1,678,581,379	2,100,367	267,237,010	154,377,812	932,962,390	321,903,800
2003	1,765,196,953	2,079,174	308,172,980	149,222,350	988,628,149	317,094,300
2004	1,816,229,318	2,159,945	318,044,215	126,994,494	1,043,586,564	325,444,100
2005	1,927,814,616	2,117,836	334,748,951	142,936,522	1,112,844,638	335,166,669

Source: Kalamazoo County Equalization Department
Department of Treasury Form L-4025 from every municipality in the School District

PORTAGE PUBLIC SCHOOLS**Assessed and Estimated Actual Value of Taxable Property (Unaudited)****Last Ten Fiscal Years**

Year Ended June 30	Taxable Valuation			Equalized Valuations	Assessment Percentage	Market Value
	Homestead	Non-Homestead	Total			
1996	\$ 622,870,065	\$ 555,056,723	\$ 1,177,926,788	\$ 1,196,265,800	50%	\$ 2,392,531,600
1997	664,401,693	584,068,256	1,248,469,949	1,296,710,530	50%	2,593,421,060
1998	707,884,995	642,572,433	1,350,457,428	1,420,071,800	50%	2,840,143,600
1999	756,622,242	673,311,759	1,429,934,001	1,512,619,850	50%	3,025,239,700
2000	791,131,472	714,598,488	1,505,729,960	1,621,636,100	50%	3,243,272,200
2001	828,705,470	707,230,151	1,535,935,621	1,675,125,650	50%	3,350,251,300
2002	897,718,369	780,863,010	1,678,581,379	1,827,623,100	50%	3,655,246,200
2003	950,959,516	814,237,437	1,765,196,953	1,973,460,750	50%	3,946,921,500
2004	982,292,577	833,936,741	1,816,229,318	2,058,686,500	50%	4,117,373,000
2005	1,045,431,200	882,383,416	1,927,814,616	2,179,642,478	50%	4,359,284,956

Source: Kalamazoo County Equalization Department-Annual Equalization Reports

PORTAGE PUBLIC SCHOOLS
Summary of Property Tax Rates Levied on Property within the School District
Direct and Overlapping Governments
(Per \$1,000 Assessed Value) (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	1996		1997		1998		1999	
	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
School District Tax Rates:								
Operating	0.0000	18.0000	0.0000	18.0000	0.0000	18.0000	0.0000	18.0000
Debt	1.7000	1.7000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000
Building & Site Sinking	0.9762	0.9762	0.4762	0.4762	0.4762	0.4762	0.4762	0.4762
Total Levied	2.6762	20.6762	2.6762	20.6762	2.6762	20.6762	2.6762	20.6762
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
Kalamazoo County	6.1405	6.1405	6.1405	6.1405	5.8405	5.8405	6.1400	6.1400
City of Portage	11.0000	11.0000	11.0000	11.0000	11.3340	11.3340	10.1770	10.1770
City of Kalamazoo	20.9882	20.9882	21.0046	21.0046	21.1079	21.1079	21.1440	21.1440
Pavilion Township	0.9139	0.9139	0.9139	0.9139	0.9070	0.9070	0.9012	0.9012
Texas Township	0.9305	0.9305	0.9238	0.9238	0.9238	0.9238	0.9183	0.9183
Kalamazoo Regional Educational Service Agency	3.0500	3.0500	3.0500	3.0500	3.0500	3.0500	3.0500	3.0500
Kalamazoo Valley Community College	2.8231	2.8231	2.8231	2.8231	2.8231	2.8231	2.8231	2.8231
Kalamazoo District Library	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000
Portage District Library*	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.4200	1.4200
Totals:								
City of Portage	31.6898	49.6898	31.6898	49.6898	31.7238	49.7238	32.2863	50.2863
City of Kalamazoo	45.6780	63.6780	45.6944	63.6944	45.4977	63.4977	45.8333	63.8333
Pavilion Township	21.6037	39.6037	21.6037	39.6037	21.2968	39.2968	23.0105	41.0105
Texas Township	21.6203	39.6203	21.6136	39.6136	21.3136	39.3136	23.0276	41.0276

*Rates for 1995-1998 included with the City of Portage

Source: 1995-2004 Kalamazoo County Apportionment Reports

2000		2001		2002		2003		2004		2005	
Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead	Homestead	Non-Homestead
0.0000	18.0000	0.0000	18.0000	0.0000	18.0000	0.0000	18.0000	0.0000	18.0000	0.0000	18.0000
2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000
0.4762	0.4762	0.4762	0.4762	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
2.6762	20.6762	2.6762	20.6762	3.7000	21.7000	3.7000	21.7000	3.7000	21.7000	3.7000	21.7000
6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	5.0000	6.0000	6.0000
6.1400	6.1400	6.1400	6.1400	6.1400	6.1400	6.1362	6.1362	6.1362	6.1362	6.1362	6.1362
10.1000	10.1000	10.0000	10.0000	10.0000	10.0000	10.3017	10.3017	10.1442	10.1442	10.1442	10.1442
21.5667	21.5667	21.5667	21.5667	21.5667	21.5667	21.9205	21.9205	21.9205	21.9205	22.1405	22.1405
0.8925	0.8925	0.8831	0.8831	0.8791	0.8791	0.8741	0.8741	0.8635	0.8635	0.8551	0.8551
0.9117	0.9117	0.9042	0.9042	0.9025	0.9025	0.8938	0.8938	0.8846	0.8846	0.8741	0.8741
3.0416	3.0416	3.0416	3.0416	3.0416	3.0416	3.0416	3.0416	3.0416	3.0416	3.0416	3.0416
2.8151	2.8151	2.8151	2.8151	2.8151	2.8151	2.8139	2.8139	2.8139	2.8139	2.8135	2.8135
3.9583	3.9583	3.9583	3.9583	3.9583	3.9583	3.9583	3.9583	3.9583	3.9583	3.9583	3.9583
1.3800	1.3800	1.4900	1.4900	1.4900	1.4900	1.4900	1.4900	1.4900	1.4900	1.4900	1.4900
32.1529	50.1529	32.1629	50.1629	33.1867	51.1867	33.4834	51.4834	32.3259	50.3259	33.3255	51.3255
46.1979	64.1979	46.1979	64.1979	47.2217	65.2217	47.5705	65.5705	46.5705	64.5705	47.7901	65.7901
22.9454	40.9454	23.0460	41.0460	24.0658	42.0658	24.0558	42.0558	23.0452	41.0452	24.0364	42.0364
22.9646	40.9646	23.0671	41.0671	24.0892	42.0892	24.0755	42.0755	23.0663	41.0663	24.0554	42.0554

PORTAGE PUBLIC SCHOOLS

Ratio of Net Bonded Debt to Taxable Assessed Valuation and Net Bonded Debt per Capita (Unaudited)

Last Ten Fiscal Years

Year Ended June 30	Gross Bonded Debt	Debt Retirement Fund Balance	Net Bonded Debt	Tax Year	Taxable Value	Percent of Net Bonded Debt to Taxable Value	Estimated Population*	Per Capita Debt
1996	\$ 37,922,950	\$ 722,142	\$ 37,200,808	1995	\$ 1,177,926,788	3.16%	47,000	\$ 792
1997	37,121,950	626,170	36,495,780	1996	1,248,469,949	2.92%	47,000	777
1998	35,861,950	638,506	35,223,444	1997	1,350,457,428	2.61%	47,000	749
1999	36,297,950	825,946	35,472,004	1998	1,429,934,001	2.48%	50,000	709
2000	34,428,950	1,041,073	33,387,877	1999	1,505,729,960	2.22%	50,000	668
2001	32,384,950	1,254,000	31,130,950	2000	1,535,935,621	2.03%	50,000	623
2002	34,765,950	1,267,321	33,498,629	2001	1,678,581,379	2.00%	51,000	657
2003	42,141,950	540,378	41,601,572	2002	1,765,196,953	2.36%	51,000	816
2004	38,802,238	867,989	37,934,249	2003	1,816,229,318	2.09%	53,464	710
2005	35,168,208	1,133,653	34,034,555	2004	1,927,814,616	1.77%	54,980	619

* U.S. Department of Commerce, Bureau of the Census for 1996-2003; Skanska USA Building Inc. Report for 2004 and 2005

Source: Portage Public Schools Audited Financial Statements

PORTAGE PUBLIC SCHOOLS
Computation of Legal Debt Margin (Unaudited)
June 30, 2005

State Equalized Valuation - December 31, 2004*		<u>\$2,179,642,478</u>
Statutory Bonding Limit*		\$ 326,946,372
General Obligations Bonds Outstanding - June 30, 2005	\$ 35,168,208	
Less Qualified Bonds**	<u>1,740,000</u>	
Total Subject to Debt Limit		<u>33,428,208</u>
Additional Debt Which Could Be Legally Incurred		<u>\$ 293,518,164</u>

* Kalamazoo County Equalization Department-Annual Equalization Report

** Public Act No. 451 of Michigan 1976, Sec. 1351 provides debt limits as follows: The bonded indebtedness of a school district shall not exceed 15 percent of all assessed valuation of the district. Bonds not included in the computation of the legal debt margin are:

1. Refunding bonds
2. Any bond qualified under Article IX, Sec. 16 of the 1963 Michigan Constitution
3. Deficit budget bonds as authorized by Sec. 1356

PORTAGE PUBLIC SCHOOLS
Schedule of Direct and Overlapping Debt (Unaudited)
June 30, 2005

Direct Debt

1993 School Building and Site Bonds (UTNQ)	\$ 1,118,208
1996 School Building and Site Bonds (UTQ)	1,740,000
1999 Refunding Bonds (UTNQ)	22,640,000
2002 School Building and Site Bonds (UTNQ)	9,670,000

Total Direct Debt	35,168,208
--------------------------	-------------------

Overlapping Debt

Municipality	Net Tax Supported Debt	School District Share	
		Percent	Amount
City of Kalamazoo	\$ 37,785,000	2.08%	\$ 785,928
City of Portage	64,609,000	97.61%	63,064,845
Pavilion Township	1,168,640	12.85%	150,170
Texas Township	3,437,000	34.56%	1,187,827
Kalamazoo County	9,500,000	28.52%	2,709,400
Kalamazoo District Library	10,150,000	1.23%	124,845

Net Overlapping Debt	68,023,015
-----------------------------	-------------------

Total Direct and Net Overlapping Debt	\$ 103,191,223
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Ratios:

2004 State Equalized Valuation (SEV)	\$2,179,642,478
2004 Taxable Value	\$1,927,814,616
2004 True Cash Value (TCV)	\$3,855,629,232
2004 Population Estimate	54,980
Net Direct Debt	\$ 35,168,208
Net Direct and Overlapping Debt	\$ 103,191,223

Per Capita 2004 Taxable Value	\$ 35,064
Per Capita 2004 State Equalized Valuation	\$ 39,644
Per Capita 2004 True Cash Value	\$ 70,128
Per Capita Direct Debt	\$ 640
Per Capita Direct and Overlapping Debt	\$ 1,877
Percent Net Direct Debt of 2004 Taxable Value	1.82%
Percent Net Direct and Overlapping Debt of 2004 Taxable Value	5.35%
Percent Net Direct Debt of 2004 State Equalized Valuation	1.61%
Percent Net Direct and Overlapping Debt of 2004 State Equalized Valuation	4.73%
Percent Net Direct Debt of 2004 True Cash Value	0.91%
Percent Net Direct and Overlapping Debt of 2004 True Cash Value	2.68%

Source: Michigan Municipal Advisory Council

PORTAGE PUBLIC SCHOOLS**Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures****Last Ten Fiscal Years (Unaudited)**

Year Ended June 30	Principal	Interest and Paying Agent Fees	Total Debt Service	Total Expenditures	Ratio of Debt Service to Total Expenditures
1996	\$ 915,000	\$ 1,003,392	\$ 1,918,392	\$ 60,549,627	3.17%
1997	1,335,000	1,711,587	3,046,587	60,457,962	5.04%
1998	1,260,000	1,879,797	3,139,797	68,072,348	4.61%
1999	1,454,000	1,372,285	2,826,285	67,736,721	4.17%
2000	1,869,000	1,554,936	3,423,936	67,384,754	5.08%
2001	2,044,000	1,475,663	3,519,663	68,146,840	5.16%
2002	2,234,000	1,430,769	3,664,769	78,929,616	4.64%
2003	4,509,000	1,727,498	6,236,498	82,505,339	7.56%
2004	3,339,712	2,281,478	5,621,190	82,096,391	6.85%
2005	3,634,031	2,118,346	5,752,377	83,646,945	6.88%

PORTAGE PUBLIC SCHOOLS
Demographic Data (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	Estimated Population (1)	Student FTE (2)	Staff FTE (3)
1996	47,000	8,650	800
1997	47,000	8,882	809
1998	47,000	8,990	820
1999	50,000	8,800	832
2000	50,000	8,869	819
2001	50,000	8,886	835
2002	51,000	8,865	843
2003	51,000	9,003	832
2004	53,464	9,035	827
2005	54,980	8,961	818

(1) U.S. Bureau of the Census; 2004and 2005 Skanska USA Building Report

(2) DS-4061-A

(3) Portage Public Schools Adopted Budget and Internal Documentation

PORTAGE PUBLIC SCHOOLS

Ten-year Summary of Construction and Property Values (Unaudited)

Year Ended December 31,	1995	1996	1997	1998
City of Portage				
Residential (Number of Units)	294	217	383	296
Non-Residential (2)				
Valuation	\$ 33,786,954	\$ 32,913,706	\$ 38,640,524	\$ 31,907,085
City of Kalamazoo				
Residential (Number of Units)	250	56	98	18
Non-Residential (2)				
Valuation	\$ 12,767,845	\$ 3,820,675	\$ 6,880,998	\$ 1,872,432
Texas Township				
Residential (Number of Units)	157	138	133	106
Non-Residential (2)				
Valuation	\$ 20,926,398	\$ 25,958,381	\$ 24,356,624	\$ 22,678,693
Pavilion Township (3)				
Residential (Number of Units)	Not Reported	Not Reported	Not Reported	Not Reported
Non-Residential (2)				
Valuation	Not Reported	Not Reported	Not Reported	Not Reported

(1) Source: U.S. Dept. of Commerce, Bureau of the Census-Construction Statistics. The building permits listed encompass the entire community in which they were issued. None of the units listed is located entirely within the School District.

(2) As of year-end 1995, non-residential data is no longer provided by the U.S. Department of Commerce, Bureau of Census.

(3) Pavilion Township is reported as a combined total with all other unincorporated Townships in Kalamazoo County. For the years presented, this information was not reported to the Bureau of the Census.

1999	2000	2001	2002	2003	2004
195	183	208	372	344	221
\$ 29,970,145	\$ 30,665,602	\$ 33,941,241	\$ 54,208,229	\$ 54,032,113	\$ 43,328,031
61	46	45	143	49	34
\$ 7,550,286	\$ 6,554,642	\$ 4,231,115	\$ 18,061,623	\$ 6,218,541	\$ 4,794,100
115	98	141	144	164	190
\$ 25,309,785	\$ 20,633,528	\$ 33,515,547	\$ 35,444,668	\$ 43,193,182	\$ 49,016,983
Not Reported	Not Reported	Not Reported	Not Reported	Not Reported	Not Reported
Not Reported	Not Reported	Not Reported	Not Reported	Not Reported	Not Reported

PORTAGE PUBLIC SCHOOLS
Principal Taxpayers (Unaudited)
Year Ended June 30, 2005

Principal Taxpayers*	Product/Service	Taxable Value	Percent of Ad Valorem
Pfizer Inc.	Pharmaceuticals	\$ 322,874,537	16.75%
Stryker Corporation	Medical Equipment	22,411,209	1.16%
Portfolio One, LLC	Apartments	19,457,285	1.01%
Consumers Energy Company	Utility	16,098,192	0.84%
Edward Rose Associates Inc.	Apartments	11,644,794	0.60%
Mann & Hummel Automotive Inc.	Injection Molded Plastics	11,433,924	0.59%
Meijer Inc.	Retail and Grocery	8,561,291	0.44%
Bowers Manufacturing	Aluminum Fabricating	8,133,772	0.42%
State Farm Mutual Insurance	Office Buildings	7,872,149	0.41%
Summit Polymers Inc.	Injection Molded Plastics	7,262,371	0.38%
All Others	Miscellaneous	1,492,065,092	77.40%
Total		<u>\$ 1,927,814,616</u>	<u>100.00%</u>

*Source-City of Portage Assessor

PORTAGE PUBLIC SCHOOLS
Statistical Summary of School Buildings and Sites (Unaudited)
Year Ended June 30, 2005

Building	Enrollment Head Count (8)	Pupil Capacity (9)	Teaching Stations (9)	Building (Square feet) (6)	Site Acreage (7)
Elementary Schools:					
Amberly	593	725	29	56,375	20
Angling Road	431	550	22	52,135	12
Central (1)	389	500	20	45,950	48
Haverhill	431	525	21	50,143	11
Lake Center	532	625	25	61,487	12
Moorsbridge (2)	618	650	24	57,955	0
Waylee	431	500	20	46,713	3
Woodland	466	575	23	47,818	9
Total Elementary Schools	3,891	4,650	184	418,576	116
Middle Schools:					
Central (3)	744	788	35	110,278	-
North (4)	619	810	37	114,259	-
West (2)	716	901	40	112,177	66
Total Middle Schools	2,079	2,499	112	336,714	66
High Schools:					
Central (3) (5)	1,494	1,446	68	246,383	52
Northern (4) (5)	1,353	1,424	67	204,162	86
Total High Schools	2,847	2,870	135	450,545	138.0
Total Secondary Schools	4,926	5,369	247	787,259	204
Alternative School-					
Community Education Center (4)	231	276	12	52,286	-
Other Sites:					
Administration Building (3) (10)	-	25	1	55,369	-
Transportation	-	-	-	35,156	-
Maintenance & Operations	-	-	-	19,553	-
12th Street	-	-	-	-	56
South Westnedge	-	-	-	-	20.0
West Centre Street	-	-	-	-	38.0
Total Other Sites	-	25	1	110,078	113.9
Total School Sites	9,048	10,320	444	1,368,199	434.1

- (1) Site acreage includes McCamley Field
(2) Site acreage includes Moorsbridge Elementary
(3) Site acreage includes Central Middle School, Administration, Maintenance & Operations, and Transportation
(4) Site acreage includes North Middle School and Community Education Center
(5) Includes 1 Multipurpose Building at each high school
(6) Portage Public Schools building blueprints
(7) Deyo/Stone Associates Appraisal Report June 30, 2005
(8) Unofficial Head count September 22, 2004, Unaudited
(9) DS-4573, TMP Associates
(10) Enrollment for PEP included in individual buildings



Portage, Michigan

SINGLE AUDIT

For the Year Ended June 30, 2005



REHMANN ROBSON

Certified Public Accountants

PORTAGE PUBLIC SCHOOLS SINGLE AUDIT

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Portage Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass- Through Grantor's Number	Approved Award/Grant Amount	Accrued Revenue Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued Revenue End of Year
U.S. Department of Agriculture							
Direct Programs:							
Food Distribution:							
Entitlement Commodities 2004-05	10.550	-n/a-	\$ 94,855	\$ -	\$ 94,855	\$ 94,855	\$ -
Bonus Commodities 2004-05	10.550	-n/a-	17,914	-	17,914	17,914	-
				-	112,769	112,769	-
Passed-through Michigan Department of Education:							
School Breakfast Program:							
2003-04 School Breakfast	10.553	041970	5,960	-	5,960	5,960	-
2004-05 School Breakfast	10.553	051970	59,935	-	56,887	59,935	3,048
				-	62,847	65,895	3,048
National School Lunch:							
2004-2005 Snacks	10.555	051980	1,694	-	1,520	1,694	174
2003-2004 Section 4	10.555	041950	14,316	-	14,316	14,316	-
2004-2005 Section 4	10.555	051950	108,739	-	104,376	108,739	4,363
2003-2004 Section 11	10.555	041960	40,446	-	40,446	40,446	-
2004-2005 Section 11	10.555	051960	292,465	-	282,802	292,465	9,663
				-	443,460	457,660	14,200
Special Milk Program:							
2003-2004 Meals	10.556	041940	268	-	268	268	-
2004-2005 Meals	10.556	051940	1,834	-	1,777	1,834	57
				-	2,045	2,102	57
Child Care Food Program:							
2001-2002 Meals	10.558	021920	(1,315)	-	(1,315)	(1,315)	-
2002-2003 Meals	10.558	031920	(1,318)	-	(1,318)	(1,318)	-
2003-2004 Meals	10.558	041920	9,905	2,636	9,905	7,269	-
2003-2004 Cash in Lieu of Commodities	10.558	042010	2,792	707	2,792	2,085	-
				3,343	10,064	6,721	-
Total U.S. Department of Agriculture				3,343	631,185	645,147	17,305
National Science Foundation							
Passed-through Western Michigan University:							
2003-2004 Enlist, Equip and Empower Science Grant	47.076	0202-923 NSF	2,500	(2,500)	-	2,042	(458)
2004-2005 Enlist, Equip and Empower Science Grant	47.076	0202-923 NSF	2,500	-	2,500	-	(2,500)
Total National Science Foundation				(2,500)	2,500	2,042	(2,958)
U.S. Department of Energy							
Passed through Michigan Department of Labor and Economic Growth:							
State Energy Program	81.041	-n/a-	8,466	-	8,466	8,466	-
U.S. Department of Education							
Passed-through Michigan Department of Education:							
2002-2003 ABE-English Literacy Grant	84.002	031120/4500163	65,717	9,187	26,941	-	-
2003-2004 ABE-English Literacy Grant	84.002	041120/4500163	-	-	(17,754)	-	-
2003-2004 ABE-English Literacy Grant	84.002	041120/5500164	18,905	-	18,905	18,905	-
2004-2005 ABE-English Literacy Grant	84.002	051120/5500164	23,595	-	23,595	23,595	-
				9,187	51,687	42,500	-
2003-2004 Title I, Part A	84.010	041530/0304	441,451	133,579	133,579	-	-
2004-2005 Title I, Part A	84.010	041530/0405	72,011	-	59,755	72,011	12,256
2004-2005 Title I, Part A	84.010	051530/0405	347,266	-	259,766	267,466	7,700
				133,579	453,100	339,477	19,956

continued...

Portage Public Schools
Schedule of Expenditures of Federal Awards (Concluded)
For the Year Ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass- Through Grantor's Number	Approved Award/Grant Amount	Accrued Revenue Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued Revenue End of Year
U.S. Department of Education (concluded)							
Passed-through Michigan Department of Education (concluded):							
2003-2004 Title V	84.298	040250-0304	\$ 7,188	\$ 7,188	\$ 7,188	\$ -	\$ -
2004-2005 Title V	84.298	050250-0405	5,476	-	5,476	5,476	-
				7,188	12,664	5,476	-
2003-2004 Title IID Ed Tech	84.318	044290-0304	3,900	3,900	3,900	-	-
2004-2005 Title IID Ed Tech	84.318	044290-0405	8,584	-	8,584	8,584	-
2004-2005 Title IID Ed Tech	84.318	054290-0405	8,825	-	8,825	8,825	-
				3,900	21,309	17,409	-
2004-2005 Title III Limited English Proficiency	84.365	050580-0405	11,531	-	11,531	11,531	-
2003-2004 Title IIA	84.367	040520-0304	119,062	36,417	36,417	-	-
2003-2004 Title IIA	84.367	040520-0405	94,809	-	85,472	94,809	9,337
2004-2005 Title IIA	84.367	050520-0405	211,176	-	87,366	103,631	16,265
				36,417	209,255	198,440	25,602
Passed-through Calhoun Intermediate School District:							
2004-2005 Drug Free Schools	84.186	052860-0405	23,958	-	11,349	23,958	12,609
Passed-through Kalamazoo Regional Educational Service Agency:							
2004-2005 Tech Prep Grant	84.243A	5014-20	2,195	-	1,707	1,707	-
2004-2005 Special Education Transition Grant	84.027A	050490-TS	15,000	-	-	15,000	15,000
2004-2005 IDEA Flowthrough	84.027A	050450-0405	370,095	-	370,095	370,095	-
				-	370,095	385,095	15,000
Total U.S. Department of Education				190,271	1,142,697	1,025,593	73,167
U.S. Department of Homeland Security							
Office for Domestic Preparedness							
Passed-through Michigan State Police Emergency Management Division:							
Homeland Security Grant Program Part II	97.004	2003 MUT 300128	33,000	-	33,000	33,000	-
Total Expenditures of Federal Awards				\$ 191,114	\$ 1,817,848	\$ 1,714,248	\$ 87,514

1. Expenditures in this schedule are in agreement with amounts reported as federal revenue in the financial statements and the financial reports submitted to the MDE.
2. The amounts reported on the R7120 (Grants Section Auditor's Report) reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and are reported in the current year receipts column.
4. Expenditures include spoilage or pilferage.
5. Amounts reported as negative cash receipts represent program office adjustments made by MDE.

Portage Public Schools

Notes to Schedule of Expenditures of Federal Awards

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Portage Public Schools (the District). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Portage Public Schools reporting entity is defined in Note I of the District's financial statements.

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 19, 2005

Board of Education
Portage Public Schools
Portage, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Portage Public Schools**, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Portage Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Portage Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

August 19, 2005

Board of Education
Portage Public Schools
Portage, Michigan

Compliance

We have audited the compliance of **Portage Public Schools** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Portage Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Portage Public Schools' management. Our responsibility is to express an opinion on Portage Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Portage Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Portage Public Schools' compliance with those requirements.

In our opinion, Portage Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Portage Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Portage Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of *Portage Public Schools* as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Portage Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Portage Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ yes X no

Portage Public Schools

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.550 84.027A	Food Distribution (Commodities) Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no
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SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



August 19, 2005

To the Board of Education
Portage Public Schools
Portage, Michigan

We have audited the financial statements of Portage Public Schools for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated May 10, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Portage Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Portage Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Portage Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Portage Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Portage Public Schools' compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Portage Public Schools are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Portage Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets in the Governmental Activities is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the basic financial statements taken as a whole.
- Management's estimate for the allowance for uncollectible taxes and deferral of certain tax revenues for SEV/TIFA adjustments anticipated to be made in future periods are based upon the District's prior experience and review of applicable tax roll changes. These estimates do not preclude that other collection efforts made by the tax collection units and the District will occasionally receive payments for taxes previously written off. We evaluated the trend information and management's methods used to calculate the allowance for uncollectible taxes and related SEV/TIFA deferrals in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Portage Public Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Portage Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Portage Public Schools' financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Portage Public Schools’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.